Brogent Technologies Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

---

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in Taiwan, the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Brogent Technologies Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016

Contents	Page

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Brogent Technologies Inc. as of and for the year ended December 31, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards No.10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Brogent Technologies Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

BROGENT TECHNOLOGIES INC.

By

HUANG, CHUNG-MING
Chairman
March 12, 2018

正大聯合會計師事務所
Grant Thornton

高雄所
80661 高雄市前鎮區中山二路91號13樓之2,之3
TEL: +886 7 537 2589 FAX: +886 7 537 3589

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Brogent Technologies Inc.

Opinion

We have audited the accompanying consolidated financial statements of Brogent Technologies Inc. and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit and the report of the other independent accountants, (please refer to the paragraph of Other Matters) the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Group as of December 31, 2017 and 2016, and its consolidated statements of comprehensive income and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission in Taiwan, the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Impairment of Accounts Receivable

Whether accounts receivable are impaired is subject to management's subjective judgment by determining the recoverable amount of overdue receivables with credit risk. The carrying amount is reduced through the use of an allowance account, and bad debts are recognized by reference to the assessment of the customers' credit quality. Therefore, we focus on the receivables with significant delays in the collection, and the reasonableness of bad debts recognized by management.

Grant Thornton Taiwan is certified to the ISO 9001:2008 Quality Management System Standards in "Provision of assurance, tax business compliance and advisory services".
Grant Thornton Taiwan is a member firm of Grant Thornton International Ltd (Grant Thornton International).

The Group's main business is the design, production and sales of the simulation entertainment equipment. In the past two years, the construction contract revenue accounts for more than 92.79% of the annual net revenue. The carrying amount of accounts receivable as of December 31, 2017 accounts for approximately 10.25% of current assets. The amount is significant and represents the major cash inflows provided by the operating activities of the Group. These involve the identification and subjective judgment for the construction contract, as a result, construction contract revenue and related receivable has been identified as a key audit matter.

Please refer to Note 4(16) to the consolidated financial statements for the related accounting policy. For the carrying amount of accounts receivable, please refer to Note 6(4) to the consolidated financial statements.

In relation to the key audit matter above, our principal audit procedures included to obtain the aging analysis of accounts receivable, calculate the aging intervals, and sample the original vouchers to examine whether the receivables are allocated in the aging analysis table appropriately; sample and deliver confirmation requests; test the collection subsequent to the reporting period to evaluate the reasonableness of allowance for impairment losses of accounts receivable; and obtain management's assessment on allowance for doubtful receivables to examine whether it is in accordance with the Group's accounting policy, and review the completeness and accuracy of related disclosures made by management.

Construction Contracts - Total Cost Estimates and the Recognition of the Stage of Completion

The Group estimates total costs of the construction contract for each project and measures the stage of completion according to the proportion of actual construction working hours to recognize its revenue and costs of the construction contract, which is the Group's main business. Total estimated costs, total estimated working hours required and actual working progress of the contract involve the effective implementation of the project contract and management's subjective judgment, which contain uncertainty for accounting estimates. Considering that the recognition of the Group's construction contract revenue and costs has a significant impact on the consolidated financial statements, this subject has been identified as a key audit matter.

Please refer to Note 4(8) to the consolidated financial statements for the accounting policy in regard to construction contracts. For net amount for the construction contract and the recognition of revenue and costs, please refer to Notes 6(5) and 6(22) of the consolidated financial statements.

In relation to the key audit matter above, our principal audit procedures included evaluation on whether the project construction contract is established in accordance with its relevant internal control operations; obtain the project cost list and project schedule to examine whether total cost and working hours are reasonably estimated based on management's accumulated experience and the current optimal situation; review expected changes of significant estimates; sample the original vouchers to examine whether the actual construction costs incurred have been listed in the appropriate period; confirm whether the actual stage of completion of the project plan has been reviewed by the appropriate authorized personnel and whether the construction schedule has been met; and evaluate the reasonableness of revenue and costs recognized according to the proportion of actual working progress.

Impairment of Property, Plant and Equipment and Intangible Assets

The value of property, plant and equipment and intangible assets is the future recoverable amount generating from related assets which have not been depreciated or amortized under the situation of management's continued operation. Management should evaluate whether there is any indication that assets may be impaired on each balance sheet date. If such indication exists, the recoverable amount of the asset should be estimated. When it is not possible to estimate the recoverable amount of an individual asset, management should estimate the recoverable amount of the cash-generating unit to which the asset belongs. Whether assets have been impaired and the calculation of the amount of the impairment loss involve multiple assumptions and accounting estimates, it is important to verify that the Group is in compliance with IAS 36 and that the carrying amount of above assets does not exceed the recoverable amount.

Please refer to Notes 4(10), (11) and (12) of the consolidated financial statements for related accounting policies. For the carrying amount of related assets, please refer to Notes 6(10) and (11) of the consolidated financial statements.

In relation to the key audit matter mentioned above, our principal audit procedures included to understand the design and implementation of the method of assessing impairment and its relevant control system; obtain the impairment assessment made by management on the basis of the cash-generating unit, and verify the reasonableness of the identification of the impairment as well as the appropriateness of assumptions used by management in relation to cash-generating unit division, cash flow forecast, discount rate, etc.

Other Matters - Individual Financial Statements

We did not audit the financial statements of a wholly-owned consolidated subsidiary whose statements are based solely on the reports of other auditors that is included in the consolidated financial statements. Total assets of the subsidiary amounted to NT$350,275 thousand, which constituting 10.08% of consolidated total assets as of December 31, 2017, and operating income was NT$129,964 thousand, which constituting 8.58% of consolidated total operating income for the year then ended.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Grant Thornton

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with generally accepted auditing standards of Taiwan, the Republic of China, we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition, we also:

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures; and whether the consolidated financial statements truly capture all underlying transactions and events in a manner that achieve the fair presentation of the Group's financial performance and operation.

Grant Thornton

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

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

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

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

Grant Thornton

Grant Thornton
March 12, 2018
Kaohsiung, Taiwan
(File No. B002.18F0008)

The accompanying consolidated financial statements are not intended to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than those other than Taiwan, the Republic of China. The standards, procedures and practices in Taiwan, the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than those of Taiwan, the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in Taiwan, the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, Grant Thornton will not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation of Group's consolidated financial statements, including notes to the consolidated financial statements.

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

Items	December 31, 2017 Amount	%	December 31, 2016 Amount	%
Current Assets				
Cash and cash equivalents (Note 6(1))	$710,647	20.45	$482,221	14.65
Financial assets at fair value through profit or loss-current (Note 6(2))	230,967	6.65	135,675	4.12
Debt investments with no active market-current (Note 6(3))	196,066	5.64	533,600	16.22
Accounts receivable, net (Note 6(4))	225,968	6.50	312,405	9.49
Accounts receivable-related parties, net (Notes 6(4) and 7)	-	-	25,681	0.78
Construction receipts receivable (Note 6(5))	440,021	12.66	279,410	8.49
Income tax assets	9,659	0.28	36	-
Inventories (Note 6(6))	189,115	5.45	150,343	4.57
Prepayments	159,587	4.59	145,484	4.42
Other current assets (Notes 6(12) and 8)	41,607	1.20	163,123	4.96
Total current assets	2,203,637	63.42	2,227,978	67.70
Noncurrent Assets				
Held-to-maturity financial assets- noncurrent (Note 6(7))	35,570	1.02	33,900	1.03
Financial assets carried at cost - noncurrent (Note 6(8))	17,856	0.51	25,356	0.77
Investments accounted for using equity method (Note 6(9))	8,061	0.23	6,640	0.20
Property, plant and equipment (Notes 6(10) and 8)	951,441	27.38	804,714	24.45
Intangible assets (Note 6(11))	120,157	3.47	149,155	4.53
Deferred income tax assets (Note 6(25))	6,392	0.18	5,513	0.17
Refundable deposits	9,794	0.28	9,129	0.28
Long-term notes and accounts receivable (Note 6(4))	9,656	0.28	-	-
Other noncurrent assets (Notes 6(12) and 8)	112,338	3.23	28,459	0.87
Total noncurrent assets	1,271,265	36.58	1,062,866	32.30
Total Assets	$3,474,902	100.00	$3,290,844	100.00

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

Items	December 31, 2017 Amount	%	December 31, 2016 Amount	%
Current Liabilities				
Short-term loans (Note 6(13))	$-	-	$20,000	0.61
Notes payable	15,812	0.45	90,630	2.75
Accounts payable	35,111	1.01	73,861	2.25
Construction receipts payable (Note 6(5))	93,541	2.69	5,735	0.18
Other payables (Note 6(14))	96,101	2.77	77,786	2.36
Income tax payable	31,395	0.90	13,290	0.40
Long-term liabilities-current portion (Note 6(15))	38,576	1.11	21,681	0.66
Other current liabilities	2,607	0.08	4,287	0.13
Total current liabilities	313,143	9.01	307,270	9.34
Noncurrent Liabilities				
Long-term bank loans (Note 6(15))	342,474	9.86	329,216	10.00
Deferred income tax liabilities (Note 6(25))	5,730	0.16	—	—
Net defined benefit liabilities-noncurrent (Note 6(16))	7,835	0.23	7,172	0.22
Total noncurrent liabilities	356,039	10.25	336,388	10.22
Total Liabilities	669,182	19.26	643,658	19.56
Equity Attributable To Shareholders of the Parent				
Capital stock				
Common stock (Note 6(17))	446,780	12.86	446,780	13.58
Capital surplus				
Additional paid-in capital	1,793,826	51.62	1,793,826	54.51
From convertible bonds	249,244	7.17	249,244	7.57
From treasury stock (Note 6(20))	9,566	0.28	9,566	0.29
From share of changes in equities of associates and joint venture	849	0.02	33	-
Total capital surplus (Note 6(18))	2,053,485	59.09	2,052,669	62.37
Retained earnings				
Legal reserve	47,250	1.36	37,115	1.13
Special reserve	751	0.02	751	0.02
Unappropriated earnings (Note 6(19))	318,257	9.16	173,816	5.29
Total retained earnings	366,258	10.54	211,682	6.44
Other equity				
Foreign Currenty Transation Reserve-subsidiaries accounted for using equity method	(3,409)	(0.10)	(972)	(0.03)
Foreign Currenty Transation Reserve-associates and joint ventures accounted for using equity method	(640)	(0.02)	(633)	(0.02)
Total other equity	(4,049)	(0.12)	(1,605)	(0.05)
Treasury stock (Note 6(20) and (21))	(115,476)	(3.32)	(115,476)	(3.51)
Equity Attributable To Shareholders Of The Parent	2,746,998	79.05	2,594,050	78.83
Noncontrolling Interests	58,722	1.69	53,136	1.61
Total Equity	2,805,720	80.74	2,647,186	80.44
Total Liabilities and Equity	$3,474,902	100.00	$3,290,844	100.00

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings per Share)

	2017		2016	
Items	**Amount**	**%**	**Amount**	**%**
Net Revenue (Notes 6(22) and 7)	$1,514,469	100.00	$881,670	100.00
Cost of Revenue (Notes 6(24) and 7)	(789,134)	(52.11)	(436,733)	(49.53)
Gross Profit	725,335	47.89	444,937	50.47
Operating Expenses				
Selling and marketing	(39,867)	(2.63)	(44,046)	(5.00)
General and administrative	(214,785)	(14.18)	(196,814)	(22.33)
Research and development	(129,949)	(8.58)	(95,569)	(10.84)
Total operating expenses (Notes 6(24) and 7)	(384,601)	(25.39)	(336,429)	(38.17)
Operating Income	340,734	22.50	108,508	12.30
Non-operating Income and Losses				
Other gains and losses (Note 6(23) and 7)	(12,911)	(0.85)	18,661	2.12
Interest income	7,216	0.47	7,836	0.89
Interest costs	(6,238)	(0.41)	(5,151)	(0.58)
Loss from investment in associates and joint ventures accounted for using equity method	(1,238)	(0.08)	(270)	(0.03)
Total non-operating income and loss	(13,171)	(0.87)	21,076	2.40
Income Before Income Tax	327,563	21.63	129,584	14.70
Income Tax Expenses (Note 6(25))	(56,382)	(3.73)	(23,472)	(2.66)
Net Income	271,181	17.90	106,112	12.04
Other Comprehensive Income (Loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 6(16))	(583)	(0.04)	577	0.07
Income tax benefit related to components of other comprehensive income that will not be reclassified subsequently (Note 6(25))	99	0.01	(98)	(0.01)
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations	(2,196)	(0.15)	(1,996)	(0.22)
Exchange differences arising on translation of foreign operations of associates and joint ventures accounted for using equity method	81	0.01	(762)	(0.09)
Income tax expense related to components of other comprehensive income that may be reclassified subsequently (Note 6(25))	(329)	(0.02)	469	0.05
Other comprehensive income (loss) for the year, net of income tax	(2,928)	(0.19)	(1,810)	(0.20)
Total Comprehensive Income (Loss) For The Year	$268,253	17.71	$104,302	11.84
Net Income Attributable To：				
Shareholders of the parent	$265,670	17.54	$101,354	11.50
Noncontrolling interests	5,511	0.36	4,758	0.54
	$271,181	17.90	$106,112	12.04
Total Comprehensive Income (loss) Attributable To：				
Shareholders of the parent	$262,742	17.35	$99,544	11.30
Noncontrolling interests	5,511	0.36	4,758	0.54
	$268,253	17.71	$104,302	11.84
Basic earnings per share (Note 6(26))	$6.00		$2.30	
Diluted earnings per share (Note 6(26))	$6.00		$2.30	

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										
	Capital Stock			Retained Earnings			Other Equity				
Items	Common Stock	Advance Receipts for Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising on Translation of Foreign Operations	Treasury Stock	Equity Attributable to Shareholders of the Parent	Noncontrolling Interests	Total Equity
Balance at January 1, 2017	$446,780		$2,052,669	$37,115	$751	$173,816	($1,605)	($115,476)	$2,594,050	$53,136	$2,647,186
Appropriations of prior year's earnings											
Legal reserve	-	-	-	10,135	-	(10,135)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(110,610)	-	-	(110,610)	-	(110,610)
Adjustments to share of changes in equities of associates and joint ventures	-	-	387	-	-	-	-	-	387	-	387
Net income in 2017	-	-	-	-	-	265,670	-	-	265,670	5,511	271,181
Other comprehensive income (loss) in 2017	-	-	-	-	-	(484)	(2,444)	-	(2,928)	-	(2,928)
Total comprehensive income in 2017	-	-	-	-	-	265,186	(2,444)	-	262,742	5,511	268,253
Share-based payment transactions	-	-	429	-	-	-	-	-	429	75	504
Balance at December 31, 2017	$446,780	$-	$2,053,485	$47,250	$751	$318,257	($4,049)	($115,476)	$2,746,998	$58,722	$2,805,720
Balance at January 1, 2016	$446,780	$-	$2,043,087	$25,877	$-	$194,582	$684	($266,072)	$2,444,938	$48,368	$2,493,306
Appropriations of prior year's earnings											
Legal reserve	-	-	-	11,238	-	(11,238)	-	-	-	-	-
Special reserve	-	-	-	-	751	(751)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(110,610)	-	-	(110,610)	-	(110,610)
Net income in 2016	-	-	-	-	-	101,354	-	-	101,354	4,758	106,112
Other comprehensive income (loss) in 2016	-	-	-	-	-	479	(2,289)	-	(1,810)	-	(1,810)
Total comprehensive income in 2016	-	-	-	-	-	101,833	(2,289)	-	99,544	4,758	104,302
Share-based payment transactions	-	-	9,582	-	-	-	-	150,596	160,178	10	160,188
Balance at December 31, 2016	$446,780	$-	$2,052,669	$37,115	$751	$173,816	($1,605)	($115,476)	$2,594,050	$53,136	$2,647,186

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

Items	2017	2016
Cash Flows From Operating Activities		
Income Before Income Tax	$327,563	$129,584
Adjustments for:		
The items of gains and losses:		
Depreciation	46,726	36,699
Amortization	35,713	31,216
Reversal of bad debts	(900)	-
Loss on financial assets at fair value through profit or loss	2,400	515
Interest expense	6,238	5,151
Interest income	(7,216)	(7,836)
Dividend income	(132)	-
Compensation cost of share-based payment transactions	429	10,034
Loss on investment in associates and joint ventures accounted for using equity method	1,238	270
Loss on disposal of property, plant and equipment	44	-
Gain on disposal of investments	-	(2,405)
Unrealized currency exchange loss	9,709	15,579
Total adjustments for the items of gains and losses	94,249	89,223
Changes in operating assets and liabilities:		
Decrease (increase) in financial instruments held for trading	(90,192)	(5,114)
Decrease (increase) in notes receivable	-	66,647
Decrease (increase) in accounts receivable	86,496	(138,415)
Decrease (increase) in accounts receivable-related parties	25,681	(22,586)
Decrease (increase) in construction receipts receivable	(160,611)	(141,270)
Decrease (increase) in inventories	(38,772)	(7,351)
Decrease (increase) in prepayments	(128,572)	7,658
Decrease (increase) in other current assets	23,753	(17,065)
Decrease (increase) in other financial assets	92,637	(63,203)
Decrease (increase) in long-term notes and accounts receivable	(10,205)	44,373
Increase (decrease) in notes payable	(74,818)	51,977
Increase (decrease) in accounts payable	(38,750)	46,814
Increase (decrease) in accounts payable-related parties	-	(8,496)
Increase (decrease) in construction receipts payable	87,806	(158,409)
Increase (decrease) in other payables	21,004	11,609
Increase (decrease) in other payables-related parties	-	(150)
Increase (decrease) in other current liabilities	(1,680)	111
Increase (decrease) in net defined benefit liabilities-noncurrent	80	173
Net changes in operating assets and liabilities	(206,143)	(332,697)
Total adjustments	(111,894)	(243,474)
Cash generated from (used in) operations	215,669	(113,890)

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

(Continued)

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

Items	2017	2016
Income taxes paid	(43,279)	(33,363)
Net cash provided by (used in) operating activities	172,390	(147,253)
Cash Flows From Investing Activities		
Proceed from sale of debt investments with no active market	328,252	175,513
Acquisition of held-to-maturity financial assets	-	(33,900)
Acquisition of financial assets carried at cost	-	(25,356)
Acquisition of investments accounted for using equity method	(2,679)	(6,910)
Acquisition of property, plant and equipment	(77,210)	(227,700)
Decrease (increase) in refundable deposits	(1,665)	504
Acquisition of intangible assets	(9,558)	(39,480)
Decrease (increase) in other financial assets	-	7,500
Decrease (increase) in prepayments for equipment	831	(2,543)
Increase (decrease) in other non-current liabilities	(80,264)	(10,916)
Interest received	7,184	8,004
Dividend received	132	-
Net cash generated from (used in) investing activities	165,023	(155,284)
Cash Flows From Financing Activities		
Increase (decrease) in short-term bank loans	(20,000)	20,000
Proceeds from long-term bank loans	50,000	368,620
Repayments of long-term bank loans	(19,847)	(336,347)
Cash dividends paid	(110,610)	(110,610)
Proceed from purchase of treasury stock by employee	-	150,144
Interest paid	(6,190)	(5,118)
Increase (decrease) in noncontrolling interests	75	10
Net cash (used in) provided by financing activities	(106,572)	86,699
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,415)	(5,076)
Net Increase (Decrease) in Cash and Cash Equivalents	228,426	(220,914)
Cash and Cash Equivalents, Beginning of Year	482,221	703,135
Cash and Cash Equivalents, End of Year	$710,647	$482,221

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

1. GENERAL

Brogent Technologies Inc. (the "Brogent" or the "Company") was incorporated under the Company Law of Taiwan, the Republic of China (R.O.C.) in October, 2001. On December 18, 2012, the Company's shares were traded on the Taipei Exchange (TPEx). The Company and its subsidiaries (collectively as the "Group") are primarily engaged in the research, development, design, production and sales of the simulation entertainment equipment and its key components and peripheral products, embedded/mobile software, streaming media/video, real-time rendering (3D above), interactive multimedia network, and multi-screen seamless integration systems.

The address of the Group's registered office and principal place of business is No.9, Fuxing 4th Rd., Qianzhen Dist., Kaohsiung City, Taiwan.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 12, 2018.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Group's accounting policies.

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

When the amendments are applied retrospectively starting on January 1, 2017, the disclosure of specific related party transactions or balance that are more than 10% of Group's respective total transaction or balance is further enhanced and disclosed in Note 7.

(2) The IFRSs endorsed by FSC with effective date starting 2018

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRSs 2014-2016 Cycle	
Amendment to IFRS 12	January 1, 2017
Amendment to IAS 28	January 1, 2018
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosure"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarifications to IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendment to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of aforementioned standards or interpretations will not have a significant effect on the Group's accounting policies.

A. IFRS 9 “Financial Instruments”

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows use solely for the purpose of principal and interest repayments, their classification and measurement are as follows:

(a) If the objective of the Group’s business model is to hold the financial asset for the contractual cash flows purpose, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method; and assessment on financial asset impairment should be performed on a continuously basis. Impairment loss or reversal of impairment loss, if any, should be recognized in profit and loss.

(b) If the objective of the Group’s business model is to hold the financial asset for the purpose of remitting contractual cash flows payments and to sell the financial assets, such assets are measured at fair value through other comprehensive income and should be assessed for impairment on a continuously basis. Interest revenue should be recognized in profit or loss by using the effective interest method. Any gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for gains or losses result from impairment or due to foreign exchange fluctuations. When such financial asset is derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Group may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Based on the facts and circumstances of the financial assets held on December 31, 2017 and as of the current day, the Group initially estimated that the classification and measurement of the following financial assets will be changed by applying IFRS 9:

(a) Non-publicly traded equity instruments classified as financial assets carried at cost should be measured at fair value in accordance with IFRS 9.

(b) Financial assets classified as debt investments with no active market and held-to-maturity financial assets are classified as measured at amortized cost under

IFRS 9 as these investments are held within a business model whose objective is solely for contractual cash flows purpose.

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. A loss allowance for expected credit losses should be recognized for financial assets measured at amortized cost and financial assets mandatorily measured at fair value through other comprehensive income. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk, the Group should measure the loss allowance for that financial instrument at an amount equal to its lifetime expected credit losses. The Group should always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss

Preliminary assessment of the Group's assets of accounts receivable and related construction contracts will be performed by applying a simplified approach to expected credit losses in calculating allowance for losses. The Group chose not to re-compile the 2017 annual information when applying the classification, measurement and impairment provisions of the International IFRS 9. The cumulative impact of the first-time projects will be recognized at the date of initial application.

The retroactive application of IFRS 9 financial assets, measurement and impairment provisions reveals the following classification and adjustment: :

Assets and Equity Effect	Carrying Amount as of December 31, 2017 (IAS 39)	Adjustments Arising from Initial Application	Retained Earnings Effect on January 1,2018	Carrying Amount before adjusting as of January 1, 2018 (IFRS 9)
Debt investments with no active market-current	$196,066	($196,066)	$-	$-
Financial assets at amortized cost-current	-	196,066	-	196,066
Held-to-maturity financial assets- noncurrent	35,570	(35,570)	-	-
Financial assets at amortized cost-noncurrent	-	35,570	-	35,570
Financial assets carried at cost - noncurrent	17,856	(17,856)	-	-
Financial assets at fair value through profit or loss-noncurrent	-	17,856	(2,248)	15,608
Total effect on assets	$249,492	$-	($2,248)	$247,244

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the Group's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

B. IFRS 15, "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, which has supersede IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue-related interpretations.

When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

(a) Identify the contract with the customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

(d) Allocate the transaction price to the performance obligations in the contracts; and

(e) Recognize revenue when the entity satisfies a performance obligation.

The Group applies IFRS 15 and assesses the facts and circumstances of the contracts that were not completed on December 31, 2017. Noting IFRS 15 has not been applied retrospectively nor has it had any cumulative effects for the initial application of the assessment of the recognition, measurement and presentation of revenue resulting from 2018's customer contracts.

C. IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded initial in the functional currency by applying to the foreign currency amount at the spot exchange rate on the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

Except for the aforementioned impact, as of the date that the accompanying consolidated financial statements were authorized for issue, the Group evaluates that there are no significant effect on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRSs 2015–2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Except for the following items, the Group believes that the adoption of aforementioned standards or interpretations will not have a significant effect on the Group's accounting policies.

A. IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for both the principal and interest portion of the lease liability are classified within financing activities.

When IFRS 16 becomes effective, it is expected that there will be no significant impact on the accounting treatment of the Group as lessor. For leases that are lessees, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application. The Group chooses to retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application, and it applies consistently to all leases of the Group that are lessees, and does not retroactively re-compile comparative information from previous reporting periods. For leases previously classified as operating leases, the lease liability is measured based on the present value of the remaining lease payments (the discounted borrower's borrowing interest rate on the initial application date), and the right-of-use asset is measured by the amount of the lease liability. There is no material impact on the rights at the date of initial application.

Except for the aforementioned impact, as of the date the accompanying consolidated financial statements were authorized for issue, the Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations endorsed and issued into effect by the FSC.

(2) Basis of Preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value and defined benefit assets or liabilities. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

(3) Basis of Consolidation

A. Basis for preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where Brogent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group; and they are de-consolidated from the date when control ceases.

Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the noncontrolling interests even if this results in a deficit balance in noncontrolling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

All significant intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount of which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss, and is calculated as the difference of: (a) the aggregate fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (b) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any noncontrolling interest. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate. The Group shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as if the Group had directly disposed of the related assets and liabilities. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss.

B. <u>Subsidiaries included in the consolidated financial statements</u>

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Business Scope	Location	Percentage of Ownership December 31, 2017	Percentage of Ownership December 31, 2016	Note
Brogent Technologies Inc.	Brogent Mechanical Inc.	Manufacture and sales of the simulator rides and related key components	May, 2015 Taoyuan City	61.11%	61.11%	1
	Brogent Creative Inc.	Development and sales of simulator rides and related peripheral products	April, 2015 Kaohsiung City	60.00%	60.00%	
	Brogent Hong Kong Limited	Reinvestment and trading business	June, 2015 Hong Kong	100%	100%	
	Brogent Global Inc.	Development and management business of self-operated outlets	September, 2015 Kaohsiung City	100%	100%	
Brogent Hong Kong Limited	Brogent Rides (Shanghai) Limited	Import and export business	July, 2015 Shanghai	100%	100%	
Brogent Rides (Shanghai) Limited	Brogent Creative (Shanghai) Limited	Development and management business of self-operated outlets	September, 2015 Shanghai	100%	100%	

Note 1: The 2017 financial statements of Brogent Mechanical Inc. is audited by the other auditors.

C. <u>Subsidiaries not included in the consolidated financial statements</u>: None.

(4) **Foreign Currency Translation**

Foreign currency transactions of each of the Group's entities are expressed in the functional currency. Monetary assets and liabilities denominated in foreign currencies are recognized using the exchange rates at the dates of the transactions. Exchange differences arise when monetary items are settled or when monetary items are translated at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

Financial statements for all foreign subsidiaries are translated into the functional currency as follows: assets and liabilities are translated using the closing exchange rate at the balance sheet date; income and expenses are translated at the average exchange rates of that period; opening retained earnings carryforward from prior period are translated using the historical exchange rates; dividends are translated using the exchange rates at the declaration date; and items in other comprehensive income are translated using the rate at the balance sheet date. Cumulative amount of the exchange differences relating to a suspending foreign operation are recognized in other comprehensive income and accumulated in a separate component of equity. Such amount is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss.

(5) **Classification of Current and Noncurrent Assets and Liabilities**

Current assets include: (a) unrestricted cash or cash equivalents; (b) assets held mainly for trading purposes; (c) assets that are expected to be realized within twelve months from the balance sheet date; and (d) assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle. Current liabilities include: (a) liabilities that are to be paid off within twelve months from the balance sheet date; and (b) liabilities that are expected to be paid off within the normal operating cycle. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

As the operating cycle for construction contracts usually exceeds one year, the Group uses the operating cycle as its criteria for classifying current and noncurrent assets and liabilities related to construction contracts. For other assets and liabilities, the criterion is one year.

(6) **Cash Equivalents**

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Inventories

Inventories mainly include materials of simulation entertainment equipment. Inventories are accounted for on a perpetual basis, and are stated at cost at the time of acquisition or initial measurement. Cost is determined using the weighted average method. Except for allowance for obsolescence, inventories are subsequently measured at the lower of cost and net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period.

(8) Construction Contracts

If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue and costs should be recognized by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion of a contract is measured by the percentage-of-completion method. Contract revenue should include the revenue arising from variations in contract work, claims and incentive payments as long as it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognized only to the extent of which the related contract costs incurred are recognized

If it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognized as an expense immediately.

The excess of the cumulative costs incurred plus recognized profits (less recognized losses) over the progress billings on each construction contract is presented as an asset as "Construction receipts receivable". While, the excess of the progress billings over the cumulative costs incurred plus recognized profits (less recognized losses) on each construction contract is presented as a liability as "Construction receipts payable".

(9) Investments Accounted for Using Equity Method

Investments accounted for using the equity method include investments in associates and interests in joint ventures.

An associate is an entity over which the Group has significant influence. It is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not control or joint control over those policies.

A joint venture is a joint arrangement established between the Group and other parties to have joint control over the net assets of the joint arrangement. The operating results and assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate and joint venture as well as the distribution received. The Group also recognizes its share in the changes in the equities of associates and joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of the value in use or the fair value less costs to sell) with its carrying amount. Impairment loss is recognized when the recoverable amount exceeds the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the Group ceases to have significant influence over an associate. When the Group retains an interest in the former associate, the Group measures the retained interest at fair value. The difference between the carrying amount of the associate at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the Group's ownership interest in an associate is reduced as a result of disposal, but the investment continues to be an associate, the Group should reclassify only a proportionate amount of the gain or loss previously recognized in other comprehensive income to profit or loss.

When the Group subscribes to additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate or joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate or joint venture by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or joint venture shall be reclassified to profit or loss on the same basis as would be required if the associate or joint venture had directly disposed of the related assets or liabilities.

When a consolidated entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the

Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not owned by the Group.

(10) Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include any incremental costs that are directly attributable to the construction or acquisition of property, plant and equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives: buildings – 5 to 50 years; machinery and equipment – 3 to 5 years; transportation equipment – 5 years; office equipment – 3 to 5 years; and other equipment – 3 to 15 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each financial year, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset; and is recognized in profit or loss.

(11) Intangible Assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.

Computer software and franchise is amortized on an average basis over its estimated useful life of 3 years. Patents is amortized on an average basis over its estimated useful life of 20 years. The exchange of simulation entertainment equipment for profit-sharing right of ticket sales is amortized on an average basis over its estimated useful life of 5 to 10 years. If the fair value of the asset received cannot be measured reliably, its cost is measured at the carrying amount of the asset given up.

The estimated useful life and amortization method are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis.

(12) Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects the current market assessments of (a) the time value of money, and (b) the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount; however, the increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Any reversal of an impairment loss is recognized immediately in profit or loss.

(13) Provisions

Provisions are recognized when: (a) the Group has a present legal or constructive obligation as a result of a past event; (b) it is probable that the Group will be required to settle the obligation; and (c) a reliable estimate can be made on the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(14) Employee Benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when service is rendered.

For defined contribution plan, payments to the benefit plan are recognized as an expense when the employees have rendered service that entitling them to the contribution. For defined benefit plan, the cost of providing benefit is recognized based on actuarial calculations.

Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive upon retirement for services provided to the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is referencing to government bonds interest rates (at the balance sheet date).

Remeasurement under a defined benefit plan recognized in other comprehensive income is reflected immediately in retained earnings. Past service costs are recognized immediately in profit or loss.

(15) Financial Instruments

Financial assets and liabilities shall be recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(16) Financial Assets

Ordinary purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

Financial assets are classified as "Financial assets at fair value through profit or loss," "Held-to-maturity financial assets," "Financial assets carried at cost," "Debt investments with no active market," or "Loans and receivables" by nature.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are stated at fair value at the end of the reporting period, with any gains or losses arising on remeasurement recognized in profit or loss. Such gains or losses include any dividends and interest received.

B. Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates, and it is probable that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

C. Financial assets carried at cost

Financial assets carried at cost are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured; financial assets are measured at cost, derivatives are linked to and must be settled by delivery of such unquoted equity instruments; and the Group do not have significant influence over these financial assets. Cost of investments sold are determined using the weighted moving-average method. In a subsequent period, if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is recognized. Such impairment losses shall not be reversed.

D. Debt investments with no active market

Debt investments with no active market are bond investments with fixed or determinable payments that are not quoted in an active market. Such financial assets are initially recognized at cost, and subsequently measured at amortized cost using the effective interest method, less any impairment.

E. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, other than (a) financial assets at fair value through profit or loss; (b) available-for-sale financial assets; (c) financial assets of which the holder may not recover substantially all of its initial investment for reasons other than credit deterioration, are measured at amortized cost using the effective interest method less any impairment, except for those loans and receivables with immaterial discounted effect. The effective interest rate calculation includes discounts or premiums and transaction costs.

F. Impairment of financial assets

Financial assets, other than those carried at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been negatively affected.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (including collateral and guarantee) discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When loans and receivables are considered uncollectible, the allowance account is written off . Recoveries of amounts previously written off are credited against the allowance account when loans and receivables are subsequently collected.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed the amortized cost were the impairment loss had not been recognized.

G. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

When derecognition a financial asset, the difference between the financial asset's carrying amount and the consideration received (or receivable) is recognized in profit or loss.

(17) Financial Liabilities and Equity Instruments

A. Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with 1) the substance of the contractual arrangements, and 2) the definitions of a financial liability and an equity instrument.

B. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the balance of proceeds received, net of direct issue costs.

C. Financial liabilities

Financial liabilities other than those held for trading purposes and designated as at fair value through profit or loss are subsequently measured at amortized cost at the end of each reporting period.

Financial liabilities at fair value through profit or loss are stated at fair value at the end of the reporting period, with any gains or losses arising on remeasurement being recognized in profit or loss.

D. Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the obligations are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid (or payable) is recognized in profit or loss.

(18) Share-based Payment

For the equity-settled share-based payment arrangements, the equity instruments are measured at the fair value on the grant date, and are recognized as compensation cost over the vesting period with a corresponding adjustment to equity. The fair value of the equity instruments is measured by an appropriate pricing model.

(19) Employees' Compensation and Directors' and Supervisors' Remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be estimated reliably. However, if the accrued amounts for employees' compensation and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved subsequently by the board of directors, the differences shall be recognized based on the accounting for changes in estimates.

(20) Income Tax

Income tax expense (benefit) for the period comprises current and deferred tax.

A. Current tax

The tax expense for the period comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

The current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

B. Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rate (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available to offset against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

C. Others

Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, where the tax is also recognized in other comprehensive income or directly in equity, respectively.

Research and development expenses are recognized as income tax credits, which lead to a tax privilege for the Group.

(21) Government Grants

Government grants are recognized at the fair value only when there is reasonable assurance that (a) the Group will comply with any conditions attached to the grants and (b) the grants will be received.

Government grants related to income should be recognized as revenue in a rational and systematic way over the periods when the related costs are expected to be incurred. However, the government grants that are not yet realized should be presented as deferred revenue. If no rational evaluating approach is available to recognize such government grants, then the amount of government grants should be recognized in full when received.

Government grants related to assets should be recognized as deferred revenue. If the government grants are related to depreciable assets, they should be recognized as revenue over the useful lives in proportions to which depreciation expenses on those assets are charged. If the government grants are not related to depreciable assets and if the government grants require certain obligations to be fulfilled, the enterprise should recognize such government grants over the periods in proportions to which the related costs are incurred by the enterprise to fulfill these obligations.

If the government grants are intended to compensate for expenses or losses that have already incurred, or are intended to give immediate financial support with no future related costs, the amount of government grants should be recognized in full when there is reasonable assurance that the grants will be received.

(22) Revenue and Expense Recognition

Income and expenses are recognized in the consolidated statements of comprehensive income when an increase or decrease in economic benefits can be measured reliably. Income includes revenues and gains, while expenses include costs, losses and other expenses. If the expenditures cannot generate future economic benefits, or if the future economic benefits do not meet the criteria for recognition as an asset, the expenditures should be recognized as expenses in the consolidated statements of comprehensive income.

Revenues is recognized when it is realized or realizable and earned, that is, when the earning process is complete or virtually complete. Expense is recognized when it is incurred.

The Group provides customized software development services. When the outcome of the transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the costs incurred that are recoverable. If it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as expenses.

If the outcome of the transaction involving the rendering of services is estimated to bear a loss, the loss should be recognized immediately. However, if the loss is estimated to be smaller in future years, the difference should be reversed and recognized as a gain in that year.

(23) Earnings Per Share

Basic earnings per share are calculated as net income divided by the weighted average number of common shares outstanding. Basic earnings per share are retrospectively adjusted to reflect the effect of the capitalization of stock dividends from capital reserve and retained earnings. For the purpose of calculating the diluted earnings per share, potentially dilutive common shares are deemed to have been converted into common stock at the beginning of the period, and the effect on the net income attributable to additional common shares outstanding is considered accordingly.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying International Financial Reporting Standards endorsed by the FSC and make critical assumptions and estimates concerning future events. Judgments and estimates are continually evaluated and adjusted based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are information on key assumptions about the future and other key sources of estimation and uncertainty at the end of the reporting period. Such assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Allowance for bad debts on receivables

The Group assesses the recoverable receivables and estimates its allowance for bad debts based on the credit quality of customers, the collectivity of accounts, and the past history on actual bad debt incurred. When there is an indication for potential uncollectability, an allowance for bad debts will be made. The identification of allowance for doubtful debts requires an estimate. If the expected future cash flow is differs from the original estimate, the difference will create a change in the carrying amount of accounts receivable and bad debts expenses for the year when change in estimate is made.

(2) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgments and estimates to determine the net realizable value of inventory at the end of the reporting period.

Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period. Impairment is recognized when cost of inventories is lower than its net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

(3) Impairment of Tangible and Intangible Assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of industry. Any changes in these estimates based on changed in economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(4) Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Group's subjective judgments and estimates, including the future revenue growth and profitability, tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

(5) Accrued Pension Liabilities

When calculating the present value of defined benefit obligation, the Group should use judgments and estimates to determine relevant actuarial assumptions at the end of the reporting period. Actuarial assumptions comprise the discount rate and expected rate of return on plan assets. Changes in any actuarial assumptions may have a material impact on the amount of defined benefit obligation.

(6) Share-based Payment

Equity-settled share-based payments are measured at the fair value of equity instruments in accordance with the given terms to determine the best pricing model. Parameters used for the estimation of the pricing model including stock options' expected duration, expected volatility, expected dividend yield, and other assumptions.

(7) Recognition of profits and losses from construction contract project

When the outcome of a construction contract can be reliably estimated, the contract revenue and costs associated with the construction contract should be recognized as income and expenses at the end of the reporting period using the percentage of completion method. Transactions can be reliably estimated only when all of the following criteria is met:

A. The amount of income can be reliably measured.

B. It is probably that the economic benefits associated with the transaction will flow into the Group.

C. The cost and the project completion percentage can be reliably estimated at the end of the reporting period.

D. The costs attributable to the contract can be clearly identified and reliably measured.

Most of the construction contracts entered by the Group are fixed in contract prices. However, depending on customer's request, change in scope and prices may be required. Any changes in project scope or prices will affect the determination of the revenue, contract cost attribution, and the estimated cost expected to complete, including changes in software, equipment, testing and labor costs, and estimates of total number of workweeks calculated based on the percentage of completion. All these factors will affect the Group's recognition of the profit or loss of a construction contract project.

(8) Changed The Useful Life of Depreciation Assets

The Company's buildings are structured with a steel-reinforced concrete construction. After considering the main structure and actual usage of the buildings, the buildings were assessed to have a longer than expected useful life. Therefore, to be in compliance with the consumption of the future economic benefits of the buildings, the Company has re-considered the estimated useful life of these buildings. In response to the buildings' current status and future economic benefits, the Board of Directors resolved to change the useful life from 20 years to 50 years on December 30, 2015, which was effective in 2016. The change of the estimated useful life decreased depreciation expenses by NT$3,622 thousand in 2016, with the effect of changes in estimates accounted for on a prospective basis.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31, 2017	December 31, 2016
Cash	$905	$850
Checking accounts	53	53
Demand deposits	296,821	197,687
Foreign currency demand deposits	54,844	46,027
Cash equivalents	358,024	237,604
Total	$710,647	$482,221

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and short-term investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value.

(2) Financial Assets at Fair Value through Profit or Loss-Current

Held for Trading Financial Assets	December 31, 2017	December 31, 2016
Beneficiary certificates	$226,727	$135,675
Publicly traded stocks	4,240	-
	$230,967	$135,675

(3) Debt Investments with No Active Market

	December 31, 2017	December 31, 2016
Time deposits	$196,066	$533,600

Time deposits represent deposits with maturities more than three months.

(4) Accounts Receivables and Long-term Accounts Receivables

	December 31, 2017	December 31, 2016
Accounts receivable-current	$225,968	$313,390
Less：Allowance for doubtful receivables	-	(985)
Accounts receivable, net	$225,968	$312,405
Accounts receivable-related parties	$-	$25,681
Less：Allowance for doubtful receivables	-	-
Accounts receivable-related parties, net	$-	$25,681

	December 31, 2017	December 31, 2016
Long-term accounts receivable	$28,215	$18,559
Less：Allowance for doubtful receivables	(18,559)	(18,559)
Long-term accounts receivable, net	$9,656	$-

In principle, the payment term granted to customers is normally 60 days from the invoice date. The allowance for bad debts is assessed by reference to the collectability of receivables, taking into account of account aging analysis, historical collection experience and current financial condition of customers.

Except for the impaired balances, for the rest of accounts receivable, the account aging analysis at the end of the reporting period is summarized in the following table. Accounts receivables include amounts that are past due but for which the no allowance for doubtful receivables is recognized. As of the date of balance sheets, the Group does not hold any collateral for accounts receivables.

Aging analysis of accounts receivable

	December 31, 2017	December 31, 2016
Neither past due nor impaired	$125,173	$242,903
Past due but not impaired		
within 30 days	704	-
31-90 days	2,313	211
91-180 days	2,040	18,088
over 181 days	105,394	76,884
Total	$235,624	$338,086

Movements of the allowance for doubtful receivables

	2017	2016
Balance at January 1	($19,544)	($19,544)
Amount written off during the year	85	-
Balance transfer to revenue during the year	900	-
Balance at December 31	($18,559)	($19,544)

(5) **Construction Receipts Receivable (Payable)**

	December 31, 2017	December 31, 2016
Aggregate costs incurred plus recognized profits	$1,466,281	$1,001,179
Less：Progress billings	(1,119,801)	(727,504)
Net balance sheet position for construction in progress	$346,480	$273,675

Presented as:		
Construction Receipts Receivable	$440,021	$279,410
Construction Receipts Payable	(93,541)	(5,735)
	$346,480	$273,675

(6) Inventories

	December 31, 2017	December 31, 2016
Raw materials	$260	$618
Supplies	59,392	36,815
Work in process	13,626	12,749
Finished goods	2,558	7,673
Merchandise	2,470	3,415
Simulator ride materials	110,809	89,073
Less：Allowance for losses	-	-
Total	$189,115	$150,343

(7) Held-to-maturity Financial Assets-noncurrent

Held-to-maturity financial assets	December 31, 2017	December 31, 2016
Non-publicly traded stocks - Preferred shares	$35,570	$33,900

Preferred shares are financial assets with fixed or determinable payments and fixed maturity dates, and that the Group has the positive intent and ability to hold to maturity. Preferred shares held are classified as Held-to-maturity Investment.

(8) Financial Assets Carried at Cost-noncurrent

Financial Assets Carried At Cost	December 31, 2017	December 31, 2016
Non-publicly traded equity instruments	$17,856	$25,356

Equity instruments are not traded in an active markets, and the Group cannot obtain sufficient information about the industry and the relevant financial information of the investee company. Therefore, it is not possible to reasonably and reliably measure the fair value of equity instruments that are classified as Financial Assets Carried At Cost.

Because the equity instruments of Jump Media Co., Ltd. have gone listed on Taiwan emerging stock market since April 7, 2017, the Group has reclassified the above investments from financial assets carried at cost - noncurrent to financial assets at fair value through profit or loss-current during the period.

(9) Investments Accounted for Using Equity Method

There is no material joint venture and associate of the Group. The carrying amount of the Group's interests in all individually immaterial associates and related share of the operating results are summarized below :

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount December 31, 2017	Carrying Amount December 31, 2016	% of Ownership and Voting Rights Held by the Group December 31, 2017	% of Ownership and Voting Rights Held by the Group December 31, 2016
Brogent Japan Entertainment Corporation	Development and sales of simulator rides and related peripheral products in Japan	August 2016 Tokyo, Japan	$8,061	$6,640	40%	50%

	2017	2016
Net Income (Loss)	($1,238)	($270)
Other comprehensive income (loss) for the year, net of income tax	$81	($632)
Total Comprehensive Income (Loss) For The Year	($1,157)	($902)

(10) Property, Plant and Equipment

2017	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
Cost								
Balance at January 1	$139,868	$632,213	$11,620	$1,140	$37,158	$67,023	$48	$889,070
Additions	-	1,377	7,334	59	3,834	4,135	60,577	77,316
Disposals	-	-	-	-	-	(200)	-	(200)
Reclassifications	-	-	-	-	-	1,463	114,718	116,181
Balance at December 31	139,868	633,590	18,954	1,199	40,992	72,421	175,343	1,082,367
Accumulated Depreciation and Impairment								
Balance at January 1	-	45,069	7,594	284	17,870	13,539	-	84,356
Depreciation	-	24,123	3,093	241	8,814	10,455	-	46,726
Disposals	-	-	-	-	-	(156)	-	(156)
Balance at December 31	-	69,192	10,687	525	26,684	23,838	-	130,926
Balance at December 31, net	$139,868	$564,398	$8,267	$674	$14,308	$48,583	$175,343	$951,441
Balance at January 1, net	$139,868	$587,144	$4,026	$856	$19,288	$53,484	$48	$804,714

	2016							
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
Cost								
Balance at January 1	$-	$153,278	$11,034	$1,140	$20,669	$22,622	$395,961	$604,704
Additions	139,868	57,255	586	-	11,891	37,807	38,243	285,650
Reclassifications	-	421,680	-	-	4,598	6,594	(434,156)	(1,284)
Balance at December 31	139,868	632,213	11,620	1,140	37,158	67,023	48	889,070
Accumulated Depreciation and Impairment								
Balance at January 1	-	26,424	5,470	56	10,013	5,694	-	47,657
Depreciation	-	18,645	2,124	228	7,857	7,845	-	36,699
Balance at December 31	-	45,069	7,594	284	17,870	13,539	-	84,356
Balance at December 31, net	$139,868	$587,144	$4,026	$856	$19,288	$53,484	$48	$804,714
Balance at January 1, net	$-	$126,854	$5,564	$1,084	$10,656	$16,928	$395,961	$557,047

A. As of December 31, 2017, the company has reclassified equipment under installation and construction in progress from prepayment for the amount of NT$114,470 thousand. In January 2017, the equipment has arrived at the warehouse and passed the inspection for acceptance. In the first quarter of 2017, the internal management has decided to transfer the materials for self-use after assembly test.

B. Research and Testing Center - Phase 2 that the Company invested in Kaohsiung Software Technology Park was completed and ready for intended use in March 2016. Related costs have been reclassified to buildings during the period accordingly.

C. In January, 2016, Brogent Mechanical Inc., a subsidiary of the Company, has purchased land and plant amounting to NT$168,000 thousand.

D. The significant components of the Group's buildings include main plants, electricity, decoration, plumbing and drainage, extinguishing protection and air conditioning equipment. The related depreciation for Group's building components is calculated using the estimated useful lives of 50 years, 20 years,10 years, 10 years and 8 years, respectively.

E. Part of the land owns by Brogent Mechanical Inc. which locates in Zhongshan Rd., Xinwu Dist., Taoyuan City is used solely for farming purpose. In accordance with the regulations, the farmland is owned and registered in the name of an individual. However, Brogent Mechanical Inc. has obtained the agreement of the counterparty that at any time as the request of Brogent Mechanical Inc., the counterparty shall change the registration of the land to Brogent Mechanical Inc. or other person designated by Brogent Mechanical Inc., without any consideration. As of December 31, 2017, the farmland amounting to NT$2,202 thousand was mainly used for plants, was accounted for 1.6% of the total land areas of the Group.

F. The amount of capitalized interest for the years ended December 31, 2017 and 2016 was NT$0 thousand and NT$1,274 thousand, respectively.

G. Please refer to Note 8 for details note disclosure for topics of pledged property, plant and equipment.

(11) Intangible Assets

2017	Computer Software	Patent	Franchise	Profit sharing right	Total
Cost					
Balance at January 1	$60,105	$325	$14,600	$113,037	$188,067
Additions	6,413	302	-	-	6,715
Balance at December 31	66,518	627	14,600	113,037	194,782
Accumulated amortization and impairment					
Balance at January 1	24,106	52	4,392	10,362	38,912
Amortization	19,489	108	4,813	11,303	35,713
Balance at December 31	43,595	160	9,205	21,665	74,625
Balance at December 31, net	$22,923	$467	$5,395	$91,372	$120,157
Balance at January 1, net	$35,999	$273	$10,208	$102,675	$149,155

2016	Computer Software	Patent	Franchise	Profit sharing right	Total
Cost					
Balance at January 1	$24,119	$-	$-	$-	$24,119
Additions	38,422	325	232	15,763	54,742
Disposals	(2,436)	-	-	-	(2,436)
Reclassifications	-	-	14,368	97,274	111,642
Balance at December 31	60,105	325	14,600	113,037	188,067
Accumulated amortization and impairment					
Balance at January 1	10,132	-	-	-	10,132
Amortization	16,410	52	4,392	10,362	31,216
Disposals	(2,436)	-	-	-	(2,436)
Balance at December 31	24,106	52	4,392	10,362	38,912
Balance at December 31, net	$35,999	$273	$10,208	$102,675	$149,155
Balance at January 1, net	$13,987	$-	$-	$-	$13,987

The Company has entered into a construction contract for indoor playground equipment of a theme park. As stated in the contract, the Company has agreed to exchange the simulation entertainment equipment for the right to share profits generated from sales of the theme part tickets ("profit sharing right"). The cost of profit sharing right was measured at the carrying amount of the simulation entertainment equipment given up.

Since February 2016, profit sharing right was amortized on an average basis over simulation entertainment equipment's estimated useful life of 10 years. Refer to Note 6(22) for the details note disclosure on profit sharing right, and Notes 9(4) and 9(5) for details note disclosure in relation to the related contract commitments.

(12) Other Current and Noncurrent Assets

	December 31, 2017	December 31, 2016
Other financial assets	$55,983	$148,620
Tax refund receivable	356	20,599
Temporary payments	-	6,239
Prepayments for equipment	-	2,543
Others	91,180	10,916
Other prepayment-noncurrent	6,426	2,665
Total	$153,945	$191,582

	December 31, 2017	December 31, 2016
Current portion	$41,607	$163,123
Noncurrent portion	112,338	28,582
Total	$153,945	$191,582

Please refer to Note 8 for discussion around other financial assets used as collateral.

(13) Short-Term Loans

	December 31, 2017	December 31, 2016
Line of credit borrowings	$-	$20,000
Annual interest rate	-	1.700%

Short-Term Loans is maintained for working capital purpose.

(14) Other Payables

	December 31, 2017	December 31, 2016
Accrued payroll	$69,289	$43,407
Payables on equipment	805	3,542
Accrued insurance	2,337	2,604
Accrued professional fee	1,388	1,083
Accrued pension	1,159	1,262
Others	21,123	25,888
Total	$96,101	$77,786

(15) Long-term Bank Loans

	December 31, 2017	December 31, 2016
Secured Loans		
Taiwan Cooperative Bank：		
Loan period from April 2016 to October 2031; monthly repayment of interest at an annual rate of 1.57%~1.82% effective in April 2016, with monthly repayment of principal.	$217,050	$230,897
CTBC Bank：		
Loan period from January 2016 to January 2032; monthly payment of interest at an annual rate of 1.94% ~2.00% effective in January 2016, with quarterly repayment of principal.	114,000	120,000
Loan period from September 2017 to September 2020; monthly payment of interest at an annual rate of 1.908% effective in September 2017, with quarterly repayment of principal.	40,000	-
Loan period from November 2017 to November 2020; monthly payment of interest at an annual rate of 1.908% effective in November 2017, with quarterly repayment of principal.	10,000	-
	381,050	350,897
Less：Current portion	(38,576)	(21,681)
Noncurrent liabilities	$342,474	$329,216

The Group's land and buildings were used as first-priority mortgage collateral is securing the loans. Details are summarized in Note 8.

(16) Pensions

	2017	2016
Defined benefit pension costs	$319	$410
Defined contribution pensions	7,714	7,598
Total	$8,033	$8,008

A. The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company makes monthly contributions to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is insufficient to pay-off retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds. As of December 31, 2017 and 2016, the Company's pension account balance was NT$1,487 thousand and NT$1,236 thousand, respectively.

B. Reconciliation on the present value of defined benefit obligation and the fair value of plan assets were as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligation	$9,331	$8,416
Fair value of plan assets	(1,496)	(1,244)
Accrued pension liabilities	$7,835	$7,172

C. Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability(Asset)
Balance at January 1, 2017	$8,416	($1,244)	$7,172
Service cost	196	-	196
Net interest expense (income)	147	(23)	124
Recognized in profit or loss	343	(23)	320
Remeasurement			
Actuarial loss (gain) of return on plan assets	-	11	11
Actuarial loss (gain) from changes in financial assumptions	332	-	332
Actuarial loss (gain) from experience adjustments	240	-	240
Recognized in other comprehensive income	572	11	583
Contributions by the Company	-	(240)	(240)
Balance at December 31, 2017	$9,331	($1,496)	$7,835
Balance at January 1, 2016	$8,576	($1,000)	$7,576
Service cost	276	-	276
Net interest expense (income)	154	(20)	134
Recognized in profit or loss	430	(20)	410
Remeasurement			
Actuarial loss (gain) of return on plan assets	-	13	13
Actuarial loss (gain) from changes in financial assumptions	65	-	65
Actuarial loss (gain) from experience adjustments	(655)	-	(655)
Recognized in other comprehensive income	(590)	13	(577)
Contributions by the Company		(237)	(237)
Balance at December 31, 2016	$8,416	($1,244)	$7,172

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

(1) Investment risk: The pension funds are invested in equity and debt securities, bank deposits, and etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks; the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.

(2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

(3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

D. Actuarial assumptions:

	December 31, 2017	December 31, 2016
Discount rate	1.50%	1.75%
Future salary increase rate	2.00%	2.00%

In scenario where a reasonable fluctuation in each of the significant actuarial assumptions occur, considering all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2017	December 31, 2016
Discount rate		
0.25% increase	($332)	($318)
0.25% decrease	$346	$331
Future salary increase rate		
1% increase	$1,452	$1,401
1% decrease	($1,255)	($1,199)

The sensitivity analysis presented above may not be a representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another and the assumptions may be correlated.

	December 31, 2017	December 31, 2016
The expected contributions to the plan for the next year	$240	$240
The average duration	17 years	18 years

E. The new pension plan under the Labor Pension Act which became effective on July 1, 2005, is deemed a defined contribution plan. The employees with R.O.C. nationality can choose to continue to use the Labor Standards Law's pension regulations, or be subject to the pension mechanism under the Labor Pension Act, and their seniority prior to the enforcement of this Act shall be maintained. The Company and its domestic subsidiaries have made monthly contributions equal to 6% of each employee's monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. For defined contribution plan, payments to the benefit plan are recognized as an expense.

(17) Capital Stock

	December 31, 2017	December 31, 2016
Authorized capital	$500,000	$500,000
Issued capital	$446,780	$446,780

As of December 31, 2017, the authorized shares were 50,000 thousand shares, including 2,000 thousand shares reserved for employee stock options. A holder of issued shares with par value of NT$10 per share is entitled to vote and to receive dividends. The issued and paid shares were 44,678 thousand shares as of the date of the consolidated financial statements

In order to gather strategic investors, the issuance of 6,000 thousand shares at a premium of NT$240 per share by private placement had been resolved at the interim shareholders' meeting on December 19, 2014. To fulfill the needs of future operation and enhancing the working capital, the issuance of not more than 3,300 thousand shares by private placement had been resolved at the general shareholders' meeting on June 11, 2014. The privately placed shares may be issued in one or several installments (not more than two times) within one year after the resolution of the shareholders' meeting. The shareholders' meeting authorized the Board of Directors with full power and authority to handle private placement related matters. The record date determined by the resolution of the Board of Directors was June 4, 2015, with 1,030 thousand shares being issued by private placement at a premium of NT$308 per share, and the aforementioned issuance of new shares had already been registered. As of the date of the consolidated financial statements, 7,030 thousand shares are issued by private placement. All of the rights and obligations for the privately placed shares are consistent with those for the issued common shares of the Company. However, except for being transferred to a transferee meeting the requirement under Article 43-8 of the Securities and Exchange Act, the privately placed shares cannot be sold within three years after delivery of shares.

(18) Additional Paid-in Capital

Under the R.O.C. Company Law, except for covering accumulated deficit or issuing new shares or cash to shareholders, the capital reserve shall not be used for any other purpose. Unless the legal reserve is insufficient, the capital reserve should not be used to cover accumulated deficit.

The capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to issue new shares or cash to shareholders by the special resolution of the shareholders' meeting, provided that the Company has no accumulated deficit. Further, the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year.

(19) Retained Earnings and Dividend Policy

A. If there are net profits of each fiscal year, the Company shall set aside 5% to15% of the profits as employees' compensations and no more than 2% as directors' and supervisors' remuneration; however, the Company shall first offset the accumulated deficits, if any. The employees' compensations referred above are able be paid in stocks or cash, and the employees include the employees of affiliated companies, who are qualified for certain conditions set by Board of Directors.

When allocating the net profits for each fiscal year, the Company shall first pay all taxes, offset its losses in previous years, and set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of the Company. The remainder together with undistributed earnings accrued from prior years ("Accumulated Distributable Earnings") shall be set aside or reverse special capital reserve in accordance with relevant laws or regulations, or reserve for specific business purpose. And the remaining is distributed as dividends and the appropriation proposed by the Board of Directors and to be approved by the shareholders' meeting.

As the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's operation expansion, working capital and long-term financial planning. The Company measures future capital needs through future capital budgeting, then use retained earnings to fund its capital needs. The remainder will be distributed by way of cash dividend or stock dividend, and the cash dividend shall not be less than 10% of total dividends.

B. Under the R.O.C. Company Law, the Company shall not pay dividends or bonuses when there is no profit. Except for covering accumulated deficit or issuing new shares or cash to shareholders, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

D. The appropriations of earnings for 2016 had been resolved at the shareholders' meeting on May 31, 2017. The appropriations were as follows:

	2016	
	Amount	Dividends Per Share (NT$)
Legal reserve	$10,135	
Cash dividends	110,610	$2.50
Total	$120,745	

E. The appropriations of earnings for 2017 had been approved in the meeting of the Board of Directors held on March 12, 2018 and are to be presented for approval in the shareholders' meeting. The appropriations were as follows:

	2017	
	Amount	Dividends Per Share (NT$)
Legal reserve	$26,567	
Special reserve	4,049	
Reserve special reserve	(751)	
Cash dividends	176,976	$4.00
Stock dividend	88,488	2.00
Total	$295,329	

(20) Treasury Stock

In order to retain and recruit talents, motivate employees and enhance their centripetal force, the Company has repurchased 1,000 thousand shares at the price of NT$249.5 to NT$283 per share during the period from July 23 to September 1, 2015 for the total amount of NT$266,072 thousand. As of December 31, 2017, the Company had 44,244 thousand shares outstanding.

No treasury shares transactions were occurred for the years ended December 31, 2017.

The appropriations of treasury stocks transferred to employees had been approved in the meeting of the Board of Directors on January 27, 2016.

A. The details of employee stock options referred above were as follows:

Type of agreement	Grant date	Granted numbers (thousand shares)	Vesting conditions
Treasury stocks transferred to employees	2016.1.27	566	Vested

B. The details of the share-based payments referred above were as follows:

Stock options	2016 Numbers (thousand shares)	2016 Weighted-average price (NT$)
Issued options at January 1	-	$-
Stock options granted in current period	566	266.07
Options exercised in current period	(566)	266.07
Issued options at December 31	-	
Options exercisable at December 31	-	

C. The fair value of stock options referred above was estimated at the granted date using Black-Scholes Model. The relevant information was as follows :

Type of Agreement	Grant Date	Stock Price	Exercise Price	Volatility	Expected life (year)	Risk-free Interest Rate	Fair Value Per Option
Treasury stocks transferred to employees	2016.1.27	268	266.07	46.21%	0.1151	0.21%	$17.70

D. The Company recognized the compensation costs amounting to NT$10,018 thousand at the grant date.

E. The expense incurred by the transaction of share-based payment in equity was NT$452 thousand.

(21) Share-based Payment

A.Brogent Global Inc.

(1) As of 31 December, 2017, Brogent Global Inc. has issued the following employee share options:

Items	Grant Date	Units	Option lifetime	Exercise price
2017 Employee stock option	2017.02.20	500	2017.02.20~ 2027.02.20	NT $10

(2) Brogent Global Inc. recognized its employee share options as an operating expense; with related additional paid-in capital amounting to NT$310 thousand due to the above issued employee stock option.

(3) Brogent Global Inc. estimated the fair value of employee stock option using Binomial Option Pricing Model with the follows assumptions:

	2017 Employee share option plan
Dividend ratio	-%
Expected volatility	38.06%
Risk-free interest rate	1.1214%
Expected life	10 years
Fair value at grant date	NT$ 1.82

B. Brogent Mechanical Inc.

(1) As of 31 December, 2017, Brogent Mechanical Inc. has issued the following employee share option:

Items	Grant Date	Units	Option lifetime	Exercise price
2016 Employee stock option	2016.11.10	250	2016.11.10~ 2026.11.10	NT $10

(2) Due to the above issued employee stock option, Brogent Mechanical Inc. has recognized its employee share options as an operating expense, with related additional paid-in capital amounting for the ended December 31, 2017 and 2016 at NT$194 and NT$27 thousand, respectively.

(3) Brogent Mechanical Inc. estimated the fair value of employee stock option using Binomial Option Pricing Model with the follows assumptions:

	2016 Employee share option plan
Dividend ratio	-%
Expected volatility	38.17%
Risk-free interest rate	1.0692%
Expected life	10 years
Fair value at grant date	NT$ 1.97

(22) Net Revenue

Items	2017	2016
Construction contract revenue	$1,436,045	$818,109
Mobile phone software revenue	-	57
Royalty revenue	-	25,308
Service and maintenance revenue	56,074	17,043
Sales revenue	3,889	6,837
Profit sharing of ticket sales	18,461	14,316
Total	$1,514,469	$881,670

(23) Other Gains and Losses

	2017	2016
Loss on financial assets at fair value through profit or loss	($2,400)	($515)
Net currency exchange gain	(46,404)	(6,841)
Gain on disposal of investment	-	2,405
Loss on disposal of property, plant and equipment	(44)	-
Other gains	36,445	23,789
Other losses	(508)	(177)
Total	($12,911)	$18,661

(24) Additional Information of Expenses by Nature

Items	2017		
	Cost of Revenue	Operating Expenses	Total
Employee benefit expense			
Salaries and wages	$31,681	$170,890	$202,571
Labor/Health insurance expenses	3,312	11,249	14,561
Pension costs	1,762	6,271	8,033
Other employee benefit expenses	1,827	7,879	9,706
Total	$38,582	$196,289	$234,871
Depreciation expense	$7,017	$39,709	$46,726
Amortization expense	$23,744	$11,969	$35,713

Items	2016		
	Cost of Revenue	Operating Expenses	Total
Employee benefit expense			
Salaries and wages	$34,427	$145,699	$180,126
Labor/Health insurance expenses	2,782	10,578	13,360
Pension costs	2,068	5,940	8,008
Other employee benefit expenses	1,941	8,697	10,638
Total	$41,218	$170,914	$212,132
Depreciation expense	$4,831	$31,868	$36,699
Amortization expense	$20,812	$10,404	$31,216

As of December 31, 2017 and 2016, the number of the Company's employees was 217 and 242, respectively. The headcount is consistent with the calculation basis of employee benefit expense recognized above.

The accrued amounts of employees' compensation and directors' and supervisors' remuneration for 2017 and 2016 based on income before employees' compensation and directors' and supervisors' were estimated by a pre-determined ratio. The board of directors has decided to issue compensation of employees and remuneration of directors and supervisors amounting to NT$28,115 thousand and NT$5,907 on March 12, 2018, and NT$13,647 thousand and NT$2,729 thousand on March 14, 2017, for year ended December 31, 2017 and 2016, respectively. There is no material difference between the aforesaid amounts to be allocated and the amount has been respectively recognized as expenses in the year incurred.

The accrued amounts of employees' compensation and directors' and supervisors' remuneration were recognized as expenses. If the actual distribution amounts that are subsequently resolved by the shareholders' meeting differ from the accrued amounts, the differences should be recognized in profit or loss in next year. The information about the appropriations of employees' compensation and directors' and supervisors' remuneration as proposed by the Board of Directors and resolved by the shareholders' meeting will be posted in the "Market Observation Post System" at the website of Taiwan Stock Exchange.

(25) Income Tax

A. Income tax expense recognized in profit or loss consisted of the following:

	2017	2016
Current tax:		
Current tax on profits for the period	$52,975	$28,497
Additional income tax on unappropriated earnings	49	4
Current adjustments on prior years tax estimation	(1,186)	(1,064)
Total current tax	51,838	27,437
Deferred tax:		
The origination and reversal of temporary differences	4,544	(3,980)
Loss carryforwards	-	15
Total deferred tax	4,544	(3,965)
Income tax expense	$56,382	$23,472

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	2017	2016
Income before income tax	$327,563	$129,584
Income tax expense at the statutory rate (17%)	$62,202	$21,588
Tax-exempt income and non- exempt expense in taxable purposes		
Tax-exempt income	(1,342)	-
Non- exempt expense	300	114
Movement of unrecognized temporary differences	(320)	515
Unrecognized loss carryforwards	141	3,616
The origination and reversal of temporary differences	-	(1,676)
Changes in. accounting estimates of realizability of deferred income tax assets	-	360
Loss carryforwards	(3,462)	15
Income tax adjustments on prior years	(1,186)	(1,064)
Additional income tax on unappropriated earnings	49	4
Income tax expense recognized in profit or loss	$56,382	$23,472

According to the Income Tax Act revised in January 2018, income tax ratio for profit-seeking enterprise has been adjusted from 17% to 20%; the change will be effective from 2018. In addition, additional income tax ratio on unappropriated earnings has been adjusted from 10% to 5%. It is expected that the change in the tax rate would have increased (or decreased) the deferred income tax assets and the deferred income tax liabilities for the years ended December 31, 2017 by NT$1,128 thousand and NT$0, respectively.

B. Income tax expense recognized in other comprehensive income:

	2017	2016
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plans	($99)	$99
Exchange differences arising on translation of foreign operations	329	(469)
	$230	($371)

C. Changes in deferred income tax assets or liabilities due to temporary differences and loss carryforwards:

	2017				
	January 1,2017	Recognize in profit or loss	Recognize in other comprehensive profit or loss	Foreign exchange adjustments	December 31,2017
Temporary differences					
Unrealized defined benefit pensions	$495	$13	$-	$-	$508
Loss on valuation of accounts receivable	689	237	-	-	926
Unrealized exchange loss (gains)	1,032	1,414	-	-	2,446
Depreciation expense	1,666	(24)	-	-	1,642
Loss (gain) on investment using equity method	444	(444)	-	-	-
Unrealized warranty expense	943	(88)	-	-	855
Remeasurement of defined benefit plans	(85)	-	99	-	14
Exchange differences arising on translation of foreign operations	329	-	(329)	-	-
Others	-	1	-	-	1
Deferred income tax assets	$5,513	$1,109	($230)	$-	$6,392
Deferred net profit	-	($5,653)	-	($77)	($5,730)
Deferred income tax liabilities	$-	($5,653)	$-	($77)	($5,730)

	2016				
	January 1,2016	Recognize in profit or loss	Recognize in other comprehensive profit or loss	Foreign exchange adjustments	December 31,2016
Temporary differences					
Unrealized defined benefit pensions	$465	$30	$-	$-	$495
Loss on valuation of accounts receivable	278	411	-	-	689
Unrealized exchange loss (gains)	(1,161)	2,193	-	-	1,032
Loss (gain) on valuation of financial assets	342	(342)	-	-	-
Depreciation expense	1,701	(35)	-	-	1,666
Unrealized sales profit	863	(863)	-	-	-
Loss (gain) on investment using equity method	(1,559)	2,003	-	-	444
Unrealized warranty expense	-	943	-	-	943
Remeasurement of defined benefit plans	13	-	(98)	-	(85)
Exchange differences arising on translation of foreign operations	(140)	-	469	-	329
Loss carryforwards	375	(375)	-	-	-
Deferred income tax assets	$1,177	$3,965	$371	$-	$5,513

D. Unrecognized deductible temporary difference amount of deferred income tax assets:

	December 31,2017	December 31,2016
Deductible temporary difference from investment using the equity method	$4,197	$21,886
Other deductible temporary difference	14,174	15,975
	$18,371	$37,861

E. Unused loss carryforwards as follow:

In Taiwan area:

December 31,2017			
Year Incurred	Audited/Declared amount	Unused Creditable Amount	Usable Until Year
2017	Estimated amount	$830	2027

December 31,2016			
Year Incurred	Audited/Declared amount	Unused Creditable Amount	Usable Until Year
2015	Audited amount	$2,115	2025
2016	Declared amount	18,246	2026
		$20,361	

F. Unrecognized deductible temporary difference amount of deferred income tax liabilities:

	December 31,2017	December 31,2016
Taxable temporary difference from investment using the equity method	$52,997	$-

G. Integrated income tax information of the Company:

	December 31, 2017	December 31, 2016
Balance of the Imputation Credit Account	$14,692	$31,854

	2017(Expected)	2016(Actual)
Tax creditable ratio of earnings distribution	15.73%	24.79%

According to the Income Tax Act, the creditable ratio for individual shareholders residing in the Republic of China is half of the original creditable ratio. However, according to the Income Tax Act revised in January 2018, the part of the Integrated Income Tax System will be repealed on January 1, 2018. There will no longer be any imputation tax credit.

H. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

(26) <u>Earnings per Share</u>

	2017	2016
Basic earnings per share	$6.00	$2.30
Diluted earnings per share	$6.00	$2.30

Earnings per share is computed as follows:

	Amount (In Thousands)	Number of Shares (In Thousands)	Earnings Per Share (NT$)
2017			
Basic earnings per share			
Net income attributable to common shareholders of the parent	$265,670	44,244	$6.00
Effect of dilutive potential common shares	-	-	
Diluted earnings per share			
Net income attributable to common shareholders of the parent (including effect of dilutive potential common shares)	$265,670	44,244	$6.00
2016			
Basic earnings per share			
Net income attributable to common shareholders of the parent	$101,354	44,142	$2.30
Effect of dilutive potential common shares	-	-	
Diluted earnings per share			
Net income attributable to common shareholders of the parent (including effect of dilutive potential common shares)	$101,354	44,142	$2.30

7. RELATED PARTY TRANSACTIONS

In preparing the consolidated financial statements, the transaction amounts and balances between the Company and its subsidiaries (the Company's related parties) had been eliminated and were not disclosed in this Note. The significant transactions between the Group and other related parties were as follows:

(1) Related party name and categories:

Related Party Name	Related Party Categories
Brogent Japan Entertainment Joint-Stock Corporation	Joint venture
KODANSHA TAIWAN MEDIA GROUP CO., LTD.	Associates
KODANSHA LTD.	Associates
SUNNY ENTERPRISES CO., LTD.	Associates
MUSE COMMUNICATION CO., LTD.	Associates

(2) Significant transactions with related parties

A. Revenues

Type of Related Parties	2017	2016
Entities with significant influence over the subsidiary	$-	$25,445

B. Purchases

Type of Related Parties	2017	2016
Entities with significant influence over the subsidiary	$-	$4,456

C. Receivables from related parties

Financial Statement Items	Type of Related Parties	December 31, 2017	December 31, 2016
Accounts receivable-related parties	Entities with significant influence over the subsidiary	$-	$25,681

D. Acquirement of other assets

Type of Related Parties	2017	2016
Entities with significant influence over the subsidiary	$-	$316

E. Other related parties transactions

Financial Statement Items	Type of Related Parties	2017	2016
Other revenue	Entities with significant influence over the subsidiary	$144	$120
Manufacturing expenses	Entities with significant influence over the subsidiary	$-	$1,964
Administrative expenses	Entities with significant influence over the subsidiary	$-	$565

The sales prices and payment terms between the Group and its related parties are not significantly different from those of the non-related parties. For other related party transactions without similar classification, prices and terms are determined independently in accordance with terms mutually agreed by both parties.

(3) Key management compensation was as follows:

	2017	2016
Short-term employee benefits	$19,274	$15,867
Post-employment benefits	535	410
Total	$19,809	$16,277

8、PLEDGED ASSETS

Pledged Assets	December 31, 2017	December 31, 2016	Purpose
Other financial assets-current (Pledged time deposits)	$34,825	$133,620	Construction performance guarantee and warranty
Other financial assets-noncurrent (Pledged time deposits)	15,000	15,000	Lease development guarantee
Other financial assets-current (Restricted assets-reserve account)	6,158	-	Construction performance guarantee
Land	139,868	139,868	Long-term loans
Buildings	433,379	449,848	Long-term loans
Total book value	$629,230	$738,336	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2017 and 2016, the Group had outstanding notes payable for the purpose of construction performance guarantee and warranty amounting to NT$15,468 thousand.

(2) As of December 31, 2017 and 2016, the Group had outstanding refundable deposits for the purpose of construction performance guarantee and warranty amounting to NT$66,519 thousand and NT$182,826 thousand, respectively.

(3) Significant Operating Lease Arrangements

In order to raise up the technical level, corporate image, and focus on research and development resources in response to future continual growth, the Company has increased its capacity to achieve the goal of sustainable management. The Company leased 1.85 hectares of land from the Kaohsiung Software Technology Park to establish the Operations Research and Development Center on February 29, 2012. The lease has a period of 20 years, beginning from March 14, 2012 to March 13, 2032, and the lease agreements can be renewed upon expiration. As of December 31, 2017, the Company had pledged time deposits for the purpose of lease development guarantee amounting to NT$15,000 thousand. The lease payments recognized in 2017 and 2016 were NT$8,805 thousand and NT$7,424 thousand, respectively.

Notified by Kaohsiung City Government, the monthly lease fee for land has been adjusted from NT$ 50 to NT$ 68.75 per square meter starting on February 1, 2016. However, in order to improve the investment in Export Processing Zone, to create high-quality industrial environment and to reduce the impact from the increase of assessed present value of the land announced in 2016, the Zone Administration has introduced a lease fee relief program for the period from January 1 to December 31, 2017. Accordingly, the monthly lease fee of land has been adjusted from NT$ 68.75 to NT$ 53.76 per square meter.

The future aggregated minimum lease payments are as follows:

Years Range on the Lease	December 31, 2017	December 31, 2016
Within 1 year	$12,211	$9,068
Over 1 year and not later than 5 years	60,441	57,388
Later than 5 years	140,455	155,719
Total	$213,107	$222,175

(4) The Company has entered into a construction contract for indoor playground equipment of the theme park amounting to NT$375,000 thousand in July 2014. The buyer shall made an initial payment of NT$150,000 thousand for construction work incurred by the Company ; with the remaining NT$225,000 thousand to be paid off from proceeds from the profit sharing of ticket sales. Upon completion of full payments of $375,000, the buyer is obligated to continue to share the profit generated from ticket sales.

(5) The Company has entered into a copyright contract including franchise fees amounting to 6,250 thousand yen and guaranteed royalties amounting to 48,000 thousand yen, with the seller in October 2014. The Company shall continue to remitting royalties payments based on the contract provision even through the guaranteed royalties are insufficient during the copyright period.

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None

12. OTHERS

(1) Financial Instruments

A. Categories of financial instruments

Financial Assets	December 31, 2017	December 31, 2016
Cash and cash equivalents	$710,647	$482,221
Financial assets at fair value through profit or loss	230,967	135,675
Debt investments with no active market-current	196,066	533,600
Accounts and notes receivable	225,968	312,405
Accounts and notes receivable-related parties	-	25,681
Other receivables	2,721	22,066
Held-to-maturity financial assets-noncurrent	35,570	33,900
Financial assets carried at cost-noncurrent	17,856	25,356
Refundable deposits	9,794	9,129
Other financial assets	55,983	148,620
Long-term receivables	9,656	-
Total	$1,495,228	$1,728,653

Financial Liabilities	December 31, 2017	December 31, 2016
Short-term bank loans	$-	$20,000
Accounts and notes payable	50,923	164,491
Other payables	96,101	77,786
Long-term bank loans (including current portion)	381,050	350,897
Total	$528,074	$613,174

B. Financial risk management objectives

The Group manages its exposure to market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations and internal controls. During the implementation of such plans, the Group must comply with certain treasury procedures that provide guides for overall financial risk management and segregation of duties.

C. Market risk

The Group is exposed to the market risks arising from changes in foreign exchange rates and interest rates.

(a) Foreign currency risk

Majority of the Group's operating activities are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk.

The Group's sensitivity analysis to foreign currency risk is mainly focused on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable (or favorable) 10% movement in the levels of the United States dollar against the New Taiwan dollar, the net income for the years ended December 31, 2017 and 2016 would have decreased (or increased) by NT$210,139 thousand and NT$126,016 thousand, respectively. Assuming an unfavorable (or favorable) 10% movement in the levels of the Canadian dollar against the New Taiwan dollar, the net income for the years ended December 31, 2017 and 2016 would have decreased (or increased) by NT$3,065 thousand and NT$1,200 thousand, respectively. Assuming an unfavorable (or favorable) 10% movement in the levels of the Euro against the New Taiwan dollar, the net income for the years ended December 31, 2017 and 2016 would have decreased (or increased) by NT$7,103 thousand and NT$3,193 thousand, respectively. Assuming an unfavorable (or favorable) 10% movement in the levels of the Chinese Yuan against the New Taiwan dollar, the net income for the years ended December 31, 2017 and 2016 would have decreased (or increased) by NT$54,100 thousand and NT$9,347 thousand, respectively.

(b) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments will change as a result of changes in market interest rates. The Group is exposed to interest rate risk arising from fixed-income investments and fixed-rate loans.

The Group's sensitivity analysis to interest rate risk is mainly focused on changes in interest rates of fixed-income investments and fixed-rate loans at the end of the reporting period. Assuming an increase (or decrease) in interest rates of 10 basis point (0.1%), the net income for the years ended December 31, 2017 and 2016 would have decreased (or increased) by NT$119 thousand and NT$160 thousand, respectively.

(c) Other price risk

The Group is exposed to price risk arising from financial assets and liabilities at fair value through profit or loss.

The Group's sensitivity analysis to price risk is mainly focused on changes in fair value at the end of the reporting period. Assuming an increase (or decrease) of 7% in prices of financial instruments, the net income for the years ended December 31, 2017 and 2016 would have increased (or decreased) by NT$16,168 thousand and NT$9,497 thousand, respectively.

D. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily accounts receivables, and from financing activities, primarily bank deposits, fixed-income investments and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

(a) Business related credit risk

The Group has set the procedures for business related credit risk to maintain the quality of accounts receivable. The Group assesses the credit quality of the customers by taking into account their financial position, the credit rating agencies' rating, the Group's internal credit rating, historical trading records, current economic situation and other factors. The Group also uses some credit enhancement instruments such as prepayment for purchases and credit insurance to reduce certain customers' credit risk.

As of December 31, 2017 and 2016, the Group's top three largest customers accounted for 69.91% and 71.64% of accounts receivable, respectively. The Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

(b) Financial credit risk

The Group monitors and reviews credit risk of bank deposits, fixed-income investments and other financial instruments. The counterparties are banks with good credit quality, financial institutions with investment grade or above, corporations and government agencies, so there is no significant compliance concerns and credit risk.

E. Liquidity risk management

The objective of liquidity risk management is to ensure the Group has sufficient cash and cash equivalents, highly liquid securities and adequate bank lines to maintain financial flexibility.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Less than 1 year	2-3 years	4-5 years	Over 5 years	Total
December 31, 2017					
Accounts and notes payables	$50,923	$-	-	-	$50,923
Other payables	96,101	-	-	-	96,101
Long-term bank loans	45,090	88,973	54,391	237,960	426,414
Total	$192,114	$88,973	$54,391	$237,960	$573,438

December 31, 2016	Less than 1 year	2-3 years	4-5 years	Over 5 years	Total
Short-term bank loans	$20,000	$-	$-	$-	$20,000
Accounts and notes payables	164,491	-	-	-	164,491
Other payables	77,786	-	-	-	77,786
Long-term bank loans	47,847	55,434	54,814	263,279	421,374
Total	$310,124	$55,434	$54,814	$263,279	$683,651

F. Fair value of financial instruments

(a) Fair value of financial instruments carried at amortized cost

The Group considers that the carrying amounts of financial assets and financial liabilities carried at amortized cost in the consolidated financial statements approximate to their fair values.

(b) Valuation techniques and assumptions used in fair value measurement are as follows:

I. The fair values of cash and cash equivalents, accounts receivable, other financial assets-current, short-term loans and accounts payable are approximately equal to the carry amounts due to their short maturity.

II. The fair values of financial assets and financial liabilities with standard terms and trading in active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks and beneficiary certificates).

III. The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

(c) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

I. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

II. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

III. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities measured at fair value on a recurring basis

Financial instruments that are measured subsequent to initial recognition at fair value are primarily publicly traded stocks and beneficiary certificates that their fair value measurements are those derived from quoted prices in active markets for identical assets.

The following table presents the Group's financial assets and liabilities measured at fair value on a recurring basis:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss				
Beneficiary certificates	$226,727	$-	$-	$226,727
Publicly traded stocks	4,240	-	-	4,240
	$230,967	$-	$-	$230,967

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss				
Beneficiary certificates	$135,675	$-	$-	$135,675

There were no transfers between Level 1 and Level 2 of the fair value hierarchy or assets and liabilities held as of December 31, 2017 and 2016 that are measured at fair value on a recurring basis

There were no purchases and disposals for assets on Level 3 for the years ended December 31, 2017 and 2016, respectively.

(2) Capital Risk Management

The Group's objective of capital management is to maintain robust credit rating and good capital ratio to support business operations and maximize shareholders' interests. In order to maintain and adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

(3) Information about Foreign Currency Financial Assets and Liabilities with a Significant Impact on the Group

	December 31, 2017			December 31, 2016		
	Foreign Currencies	Exchange Rate	TWD	Foreign Currencies	Exchange Rate	TWD
Financial Assets						
Monetary items						
USD	$71,177	29.76	$2,118,228	$39,744	32.25	$1,281,740
CAD	1,282	23.91	30,653	502	23.91	12,003
EUR	1,997	35.57	71,033	1,011	33.90	34,273
CNY	125,044	4.57	571,451	22,123	4.62	102,208
JPY	180	0.26	47	180	0.28	50
Non-monetary items						
JPY	19,590	0.26	5,093	33,333	0.28	9,333
Financial Liabilities						
Monetary items						
USD	$566	29.76	$16,844	$669	32.25	$21,575
EUR	-	-	-	69	33.90	2,339
CNY	6,664	4.57	30,454	1,891	4.62	8,736

13. ADDITIONAL DISCLOSURES

(1) Related Information on Significant Transactions

No.	Items	Table
1	Financings provided	1
2	Endorsement/guarantee provided	2
3	Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and jointly controlled entities)	3
4	Aggregate purchases or sales of the same securities reaching NT$300 million or 20% of the paid-in capital or more	None
5	Acquisition of individual real estate reaching NT$300 million or 20% of the paid-in capital or more	None
6	Disposal of individual real estate reaching NT$300 million or 20% of the paid-in capital or more	None
7	Total purchases from or sales to related parties reaching NT$100 million or 20% of the paid-in capital or more	4
8	Receivables from related parties reaching NT$100 million or 20% of the paid-in capital or more	5
9	Derivative financial instruments undertaken during the reporting period	None
10	Others: The business relationship between the parent and the subsidiaries and significant transactions between them	6

(2) Information on Investees

Please see Table 7 attached (excluding the investee in Mainland China).

(3) Information on Investments in Mainland China

Please see Table 8 attached.

Table 1: Financings provided as of December 31, 2017

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands) (Note 3)	Ending Balance (Foreign Currencies in Thousands) (Note 3)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing (Note 4)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 1)
													Item	Value		
0	Brogent Technologies Inc.	Brogent Global Inc.	Other receivables from related parties	Yes	$264,352	$264,352	$-	-	2	$-	Operating capital	$-	-	$-	$274,699	$1,098,799
		Brogent Hong Kong Limited	Other receivables from related parties	Yes	264,352	264,352	-	-	2	-	Operating capital		-	-	274,699	1,098,799
		Brogent Mechanical Inc.	Other receivables from related parties	Yes	264,352	264,352	-	-	2	-	Operating capital		-	-	274,699	1,098,799

Note 1: The total amount available for lending purpose shall not exceed forty percent (40%) of Brogent Technologies Inc.'s net equity.

Note 2：Subsidy to individual subsidiaries is limited to 10% of its net equity.

Note 3：The amount was determined by the Board of Directors.

Note 4：The nature of the loan, such as:
1. Business
2. The need for short-term financing

Table 2: Endorsement/guarantee provided as of December 31, 2017

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1 and 2)	Maximum Balance for the Period (Note 3)	Ending Balance- (Note 3)	Amount Actually Drawn (Foreign Currents in Thousands)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	Brogent Technologies Inc.	Brogent Rides (Shanghai) Limited	Investee of Subsidiary	$824,099	$210,180	$210,180	-	-	7.65%	$1,373,499	Yes	No	Yes
		Brogent Creative (Shanghai) Limited	Investee of Subsidiary	824,099	140,120	140,120	-	-	5.10%	1,373,499	Yes	No	Yes

Note 1：The amount provided to each guaranteed party shall not exceed thirty percent (30%) of Brogent Technologies Inc.'s net equity.
Note 2：The total amount of guarantee provided shall not exceed fifty percent (50%) of Brogent Technologies Inc.'s net equity.
Note 3：The amount was determined by the Board of Directors.

Table 3: Marketable Securities Held as of December 31, 2017 (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

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

Held Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Securities Issuer (Note 2)	Financial Statement Item	December 31, 2017 Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands) (Note 3)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	Remark (Note 4)
Brogent Technologies Inc.	Callable Bond							
	Formosa Group (Cayman) Limited	None	Cash equivalents	-	USD 2,000	-	USD 2,000	
	Fund							
	Prudential Financial RMB Money Market Fund RMB	None	Financial assets at fair value through profit or loss-current	957	RMB 10,535	-	RMB 10,535	
	Yuanta Global USD Corporate Bond Fund	None	Financial assets at fair value through profit or loss-current	983	9,394	-	9,394	
	Eastspring Investments Umbrella Fund - Global Bond Fund of Fund A TWD	None	Financial assets at fair value through profit or loss-current	363	5,100	-	5,100	
	M&G Optimal Income Fund - M&G Optimal Income Fund	None	Financial assets at fair value through profit or loss-current	50	USD 511	-	USD 511	
	JPMorgan Investment Funds - Global Income - USD	None	Financial assets at fair value through profit or loss-current	7	USD 1,223	-	USD 1,223	
	JPMorgan Funds - Emerging Markets Debt - USD	None	Financial assets at fair value through profit or loss-current	36	USD 757	-	USD 757	
	JPMorgan Funds - Global Corporate Bond - USD	None	Financial assets at fair value through profit or loss-current	62	USD 1,062	-	USD 1,062	
	Nomura Asia Pacific Bond Fund-Acc	None	Financial assets at fair value through profit or loss-current	483	RMB 5,074	-	RMB 5,074	
	Nomura Global Short Duration Bond Fund USD	None	Financial assets at fair value through profit or loss-current	113	USD 1,204	-	USD 1,204	
Brogent Global Inc.	Common Stock							
	This is Holland B.V.	None	Financial assets carried at cost - noncurrent	-	17,856	-	17,856	
	Jump Media International Co., LTD.	None	Financial assets at fair value through profit or loss-current	264	8,860	0.93%	8,860	

				December 31, 2017			
Held Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Securities Issuer (Note 2)	Financial Statement Item	Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands) (Note 3)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	Remark (Note 4)
	Preferred Stock							
Brogent Global Inc.	This is Holland B.V.	None	Financial assets in held-to-maturity - noncurrent	-	35,570	-	35,570	

Note 1 : Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IAS 39, "Financial instruments : Recognition and Measurement".

Note 2 : Leave the column blank if the issuer of marketable securities is non-related party.

Note 3 : For items measured at fair value, the carrying value represents fair value adjustments less accumulated impairment. For items that are not measured at fair value, the carrying value represents original cost or amortized cost less accumulated impairment.

Note 4 : The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Table 4: Intercompany Relationships and Significant Intercompany Transactions or 20% of the Paid-in Capital or More

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

			Transaction Details				Reasons and Situations of Different of Trading Conditions and General Transactions		Notes/Accounts Receivables or Payables		
Purchases /Sales Company	Name of transactions	Nature of Relationship	Purchases/Sales	Amounts	Ratio of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Ratio of Total Notes/Accounts Receivables or Payables	Note
Brogent Technologies Inc.	Brogent Mechanical Inc.	Subsidiary	Purchases	$128,465	18%	OA 60 Days	$-	$-	($55,934)	(55%)	
	Brogent Hong Kong Limited	Subsidiary	Sales	166,391	14%	OA 60 Days	-	-	93,238	21%	
	Brogent Rides (Shanghai) Limited	Investee of Subsidiary	Sales	127,383	11%	OA 60 Days	-	-	91,300	21%	
Brogent Global Inc.	Brogent Creative (Shanghai) Limited	Associate	Sales	127,264	79%	OA 60 Days	-	-	24,651	79%	
Brogent Hong Kong Limited	Brogent Creative (Shanghai) Limited	Investee of Subsidiary	Sales	219,333	100%	OA 60 Days	-	-	-	-	

Table 5: RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

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

Company Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Day	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts	Note
					Amount	Action Taken			
Brogent Technologies Inc.	Brogent Hong Kong Limited	Subsidiary	$93,238	82	$-	-	$-	$-	
	Brogent Rides (Shanghai) Limited	Investee of Subsidiary	91,300	91	-	-	-	-	

Note 1: The calculation of turnover days excludes other receivables from related parties.

Table 6: Intercompany Relationships and Significant Intercompany Transactions

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Thousands)

Numbers	Name of transactions	Counterparty	Nature of Relationship (Note1)	Transaction situations			
				Financial Statements Items	Amounts	Transaction Terms (Note2)	Percentage of Consolidated Net Revenue or Total Assets
0	Brogent Technologies Inc.	Brogent Mechanical Inc.	1	Payables to related parties	$57,970	-	2%
				Prepayments	71,280	-	2%
				Purchases	128,465	-	8%
		Brogent Global Inc.	1	Construction receipts payable	60,000	-	2%
				Sales	9,386	-	1%
		Brogent Hong Kong Limited	1	Receivables to related parties	93,238	-	3%
				Construction receipts payable	240,482	-	7%
				Sales	166,391	-	11%
		Brogent Rides (Shanghai) Limited	1	Receivables to related parties	91,300	-	3%
				Construction receipts payable	91,300	-	3%
				Sales	127,383	-	8%
1	Brogent Hong Kong Limited	Brogent Global Inc.	2	Prepayments	43,528	-	1%
		Brogent Creative (Shanghai) Limited	2	Construction receipts payable	USD 8,253	-	7%
				Advance by projects	USD 1,450	-	1%
				Sales	USD 7,205	-	14%
2	Brogent Global Inc.	Brogent Creative (Shanghai) Limited	2	Construction receipts payable	24,651	-	1%
				Receivables to related parties	24,651	-	1%
				Sales	127,264	-	8%

Note1: "1" represents the transactions from parent company to subsidiary.
"2" represents the transactions from subsidiary to subsidiary.

Note2: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Table 7: Information on Investees (Excluding the Investee in Mainland China)

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

Investor Company	Investee Company	Location	Business Scope	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2017(Foreign Currencies in Thousands)	December 31, 2016	Shares (In Thousands)	Percentage of Ownership	Carrying Value(Foreign Currencies in Thousands)			
Brogent Technologies Inc.	Brogent Mechanical Inc.	Taoyuan City	Manufacture and sales of the simulator rides and its key components	$55,000	$55,000	7,200	61.11%	$83,572	$15,037	$9,189	Subsidiary
	Brogent Creative Inc.	Kaohsiung City	Development and sales of the peripheral products of simulator rides	9,000	$9,000	900	60.00%	8,332	(831)	(506)	Subsidiary
	Brogent Hong Kong Limited	Hong Kong	Reinvestment and trading business	54,063 (USD 1,700)	54,063 (USD 1,700)	-	100.00%	103,398 (USD3,474)	55,610 (USD 1,827)	55,610 (USD 1,827)	Subsidiary
	Brogent Global Inc.	Kaohsiung City	Development and management business of self-operated outlets	300,000	300,000	30,000	100.00%	304,911	34,117	26,487	Subsidiary
Brogent Hong Kong Limited	Brogent Japan Entertainment Joint-Stock Corporation	Tokyo	Management business and development and sales of the peripheral products of simulator rides in Japan	10,161 (JPY 35,000)	7,458 (JYP25,000)	-	40.00%	8,061 (JPY 30,511)	(2,552) (JPY (9,407))	Note 2	Joint Venture

Note 1: The share of profits (losses) of investee recognized in current period concludes the components of unrealized profit or loss from intercompany transactions.

Note 2: The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

Table 8: <u>Information on Investments in Mainland China</u>

(Amounts in Thousands of New Taiwan Dollars/Foreign Currencies in Thousands)

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Brogent Rides (Shanghai) Limited	Import and export business	$22,690 (USD 700)	2	$22,690 (USD 700)	$-	$-	$22,690 (USD 700)	$45,139 (USD 1,483)	100%	$45,139	$64,526 (USD 2,168) (Note2)	$-
Brogent Creative (Shanghai) Limited	Development and management business of self-operated outlets	14,961 (RMB 3,000)	3	-	-	-	-	30,674 (RMB 6,810)	100%	30,674	43,483 (RMB 9,525) (Note2)	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$22,690 (USD 700)	$22,690 (USD 700)	$1,648,199

Note 1 : Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area (Brogent Hong Kong Limited), which then invested in the investee in Mainland China.

(3) Others.

Note 2 : Amount was recognized based on the audited financial statements.

14. OPERATING SEGMENTS INFORMATION

(1) Operating Segments

The Group's revenues are principally from the research, development, design, production and sales of the media-based attraction (MBA). The Group upholds the concept of sustainable development, and achieve the objective of making profits for the shareholders in the coming years. The Group executes the operating strategy of double C by taking a two-pronged approach ("channel" and "content") to transform into the cooperators of the entertainment industry from a supplier of amusement park facilities. In the meantime, the Group implements the diversification strategy, the profit sharing model, and the integration of the one-time outright sale of equipment to expand the sites of global sales and optimize the product content and value.

The Group's operating decision maker reviews the Groups' overall operating results to make decisions about resource allocation and assess the Groups' overall performance. Therefore, the Group has a single operating segment.

(2) Geographic Information

	Revenue		Noncurrent Assets	
	2017	2016	December 31, 2017	December 31, 2016
Taiwan	$25,815	$107,566	$957,128	$956,412
Asia	1,209,646	389,411	-	-
Europe	115,568	356,336	114,470	-
United States	152,023	28,357	-	-
Australia	11,417	-	-	-
Total	$1,514,469	$881,670	$1,071,598	$956,412

The Group categorized the revenues mainly by region. Noncurrent assets include property, plant and equipment, intangible assets and other assets, except for financial instruments, deferred tax assets and pension assets.

(3) Production and Service Information

Production/Service	2017	2016
Construction contract revenue	$1,436,045	$818,109
Mobile phone software revenue	-	25,308
Royalty revenue	18,461	14,316
Service and maintenance revenue	56,074	17,043
Others	3,889	6,894
Total	$1,514,469	$881,670

(4) Major Customer's Information

Customer	2017		2016	
	Amount	Percentage of Net Revenue	Amount	Percentage of Net Revenue
Customer R	$432,527	28.56	$105,848	12.00
Customer T	320,163	21.14	84,256	9.56
Customer A	161,699	10.68	-	-
Customer B	131,082	8.66	-	-
Customer C	105,803	6.99	-	-
Customer D	77,771	5.14	-	-
Customer S	51,781	3.42	103,201	11.71
Customer Q	45,071	2.98	252,980	28.69
Customer O	28,892	3.45	111,023	12.59
Customer P	10,795	0.71	118,480	13.44