Brogent Technologies Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 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, 2016 and 2015

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, 2016, 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 14, 2017

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, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission 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, 2016. 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:

<u>Impairment of Accounts Receivable</u>

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.

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% of the annual net revenue. The carrying amount of accounts receivable at the end of 2016 accounts for approximately 15% of current assets. The amount is significant and is the main cash flows provided by the operating activities of the Group. These involve the identification and subjective judgment for the construction contract, so it has been identified as a key audit matter.

Please refer to Note 4(16) to the consolidated financial statements for its 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 interval, and sample the original vouchers to examine whether the receivables in the aging analysis table have been listed in the appropriate period; sample and deliver confirmation requests; test the collection after the reporting period to evaluate the reasonableness of allowance for impairment losses of accounts receivable; and obtain the assessment documents of allowance for doubtful receivables to examine whether it is in accordance with the Group's accounting policy, and review the reasonableness of related disclosures made by management.

<u>Construction Contracts - Total Cost Estimates and the Recognition of the Stage of Completion</u>

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, so it has been identified as a key audit matter.

Please refer to Note 4(8) to the consolidated financial statements for the accounting policy about 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) to the consolidated financial statements.

In relation to the key audit matter above, our principal audit procedures included to evaluate 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 above assets may be impaired on each balance sheet date. If any 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 a lot of assumptions and accounting estimates, so we focus on the Group's compliance with IAS 36 and confirm whether the carrying amount of above assets does not exceed the recoverable amount.

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

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

Other Matters - Individual Financial Statements

We have also audited the parent company only financial statements of Brogent Technologies Inc. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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.

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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 in accordance with generally accepted auditing standards in Taiwan, the Republic of China, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 represent the underlying transactions and events in a manner that achieve fair presentation.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 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.

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Grant Thornton
March 14, 2017
Kaohsiung, Taiwan
(File No. B002.17F0014)

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 in 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 in 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 cannot 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.

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

Items	December 31, 2016 Amount	%	December 31, 2015 Amount	%
Current Assets				
Cash and cash equivalents (Note 6(1))	$482,221	14.65	$703,135	22.33
Financial assets at fair value through profit or loss-current (Note 6(2))	135,675	4.12	128,671	4.09
Debt investments with no active market-current (Note 6(3))	533,600	16.22	719,952	22.87
Notes receivable	-	-	66,647	2.12
Accounts receivable, net (Note 6(4))	312,405	9.49	204,417	6.49
Accounts receivable-related parties, net (Notes 6(4) and 7)	25,681	0.78	3,095	0.10
Construction receipts receivable (Note 6(5))	279,410	8.49	138,140	4.39
Income tax assets	36	-	-	-
Inventories (Note 6(6))	150,343	4.57	142,992	4.54
Prepayments	156,400	4.75	151,858	4.82
Other current assets (Notes 6(12) and 8)	163,123	4.96	83,023	2.64
Total current assets	2,238,894	68.03	2,341,930	74.39
Noncurrent Assets				
Held-to-maturity financial assets- noncurrent (Note 6(7))	33,900	1.03	-	-
Financial assets carried at cost - noncurrent (Note 6(8))	25,356	0.77	-	-
Investments accounted for using equity method (Note 6(9))	6,640	0.20	-	-
Property, plant and equipment (Notes 6(10) and 8)	804,714	24.45	557,047	17.70
Intangible assets (Note 6(11))	149,155	4.53	13,987	0.44
Deferred income tax assets (Note 6(25))	5,513	0.17	1,177	0.04
Refundable deposits (Note 7)	9,129	0.28	9,633	0.31
Long-term notes and accounts receivable (Note 6(4))	-	-	16,368	0.52
Other noncurrent assets (Notes 6(12), 7 and 8)	17,543	0.54	207,896	6.60
Total noncurrent assets	1,051,950	31.97	806,108	25.61
Total Assets	$3,290,844	100.00	$3,148,038	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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

Items	December 31, 2016 Amount	%	December 31, 2015 Amount	%
Current Liabilities				
Short-term loans (Note 6(13))	$20,000	0.61	$-	-
Notes payable	90,630	2.75	38,653	1.23
Accounts payable	73,861	2.25	27,047	0.86
Accounts payable-related parties (Note 7)	-	-	8,496	0.27
Construction receipts payable (Note 6(5))	5,735	0.18	164,144	5.21
Other payables (Note 6(14))	77,786	2.36	66,686	2.12
Other payables-related parties (Note 7)	-	-	150	0.01
Income tax payable	13,290	0.40	19,180	0.61
Long-term liabilities-current portion (Note 6(15))	21,681	0.66	238,060	7.56
Other current liabilities	4,287	0.13	4,176	0.13
Total current liabilities	307,270	9.34	566,592	18.00
Noncurrent Liabilities				
Long-term bank loans (Note 6(15))	329,216	10.00	80,564	2.56
Net defined benefit liabilities-noncurrent (Note 6(16))	7,172	0.22	7,576	0.24
Total noncurrent liabilities	336,388	10.22	88,140	2.80
Total Liabilities	643,658	19.56	654,732	20.80
Equity Attributable To Shareholders of the Parent				
Capital stock				
Common stock (Note 6(17))	446,780	13.58	446,780	14.19
Capital surplus				
Additional paid-in capital	1,793,826	54.51	1,793,826	56.98
From convertible bonds	249,244	7.57	249,244	7.92
From treasury stock	9,566	0.29	-	-
From share of changes in equities of associates and joint venture	33	-	17	-
Total capital surplus (Note 6(18))	2,052,669	62.37	2,043,087	64.90
Retained earnings				
Legal reserve	37,115	1.13	25,877	0.82
Special reserve	751	0.02	-	-
Unappropriated earnings (Note 6(19))	173,816	5.29	194,582	6.18
Total retained earnings	211,682	6.44	220,459	7.00
Other equity	(1,605)	(0.05)	684	0.02
Treasury stock (Note 6(20) and (21))	(115,476)	(3.51)	(266,072)	(8.45)
Equity Attributable To Shareholders Of The Parent	2,594,050	78.83	2,444,938	77.66
Noncontrolling Interests	53,136	1.61	48,368	1.54
Total Equity	2,647,186	80.44	2,493,306	79.20
Total Liabilities and Equity	$3,290,844	100.00	$3,148,038	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, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings per Share)

	2016		2015	
Items	Amount	%	Amount	%
Net Revenue (Notes 6(22) and 7)	$881,670	100.00	$705,424	100.00
Cost of Revenue (Notes 6(24) and 7)	(436,733)	(49.53)	(371,463)	(52.66)
Gross Profit	444,937	50.47	333,961	47.34
Operating Expenses				
Selling and marketing	(44,046)	(5.00)	(21,498)	(3.05)
General and administrative	(196,814)	(22.33)	(118,763)	(16.83)
Research and development	(95,569)	(10.84)	(63,288)	(8.97)
Total operating expenses (Notes 6(24) and 7)	(336,429)	(38.17)	(203,549)	(28.85)
Operating Income	108,508	12.30	130,412	18.49
Non-operating Income and Loss				
Other gains and losses (Note 6(23) and 7)	18,391	2.09	7,643	1.08
Interest income	7,836	0.89	14,659	2.08
Interest costs	(5,151)	(0.58)	(487)	(0.07)
Total non-operating income and loss	21,076	2.40	21,815	3.09
Income Before Income Tax	129,584	14.70	152,227	21.58
Income Tax Expenses (Note 6(25))	(23,472)	(2.66)	(32,458)	(4.60)
Net Income	106,112	12.04	119,769	16.98
Other Comprehensive Income (Loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 6(16))	577	0.07	(78)	(0.01)
Income tax benefit related to components of other comprehensive income that will not be reclassified subsequently (Note 6(25))	(98)	(0.01)	13	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations	(2,758)	(0.31)	824	0.12
Income tax expense related to components of other comprehensive income that may be reclassified subsequently (Note 6(25))	469	0.05	(140)	(0.02)
Other comprehensive income (loss) for the year, net of income tax	(1,810)	(0.20)	619	0.09
Total Comprehensive Income (Loss) For The Year	$104,302	11.84	$120,388	17.07
Net Income Attributable To：				
Shareholders of the parent	$101,354	11.50	$112,384	15.93
Noncontrolling interests	4,758	0.54	7,385	1.05
	$106,112	12.04	$119,769	16.98
Total Comprehensive Income (loss) Attributable To：				
Shareholders of the parent	$99,544	11.30	$113,003	16.02
Noncontrolling interests	4,758	0.54	7,385	1.05
	$104,302	11.84	$120,388	17.07
Basic earnings per share (Note 6(26))	$2.30		$2.57	
Diluted earnings per share (Note 6(26))	$2.30		$2.57	

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, 2016 AND 2015
(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, 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)
Adjustments to share of changes in equities of associates and joint venture	-	-	16	-	-	-	-	-	16	-	16
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	-	-	9,566	-	-	-	-	150,596	160,162	10	160,172
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
Balance at January 1, 2015	$336,800	$4,494	$459,496	$3,434	$-	$223,746	$-	$-	$1,027,970	$-	$1,027,970
Appropriations of prior year's earnings											
Legal reserve	-	-	-	22,443	-	(22,443)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(79,360)	-	-	(79,360)	-	(79,360)
Stock dividends	39,680	-	-	-	-	(39,680)	-	-	-	-	-
Adjustments to share of changes in equities of associates and joint venture	-	-	17	-	-	-	-	-	17	-	17
Net income in 2015	-	-	-	-	-	112,384	-	-	112,384	7,385	119,769
Other comprehensive income (loss) in 2015	-	-	-	-	-	(65)	684	-	619	-	619
Total comprehensive income in 2015	-	-	-	-	-	112,319	684	-	113,003	7,385	120,388
Issuance of common stock for cash	70,300	(4,494)	1,583,574	-	-	-	-	-	1,649,380	-	1,649,380
Purchase of Treasury stock	-	-	-	-	-	-	-	(266,072)	(266,072)	-	(266,072)
Noncontrolling interests	-	-	-	-	-	-	-	-	-	40,983	40,983
Balance at December 31, 2015	$446,780	$-	$2,043,087	$25,877	$-	$194,582	$-	($266,072)	$2,444,938	$48,368	$2,493,306

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

Items	2016	2015
Cash Flows From Operating Activities		
Income Before Income Tax	$129,584	$152,227
Adjustments for:		
The items of gains and losses:		
Depreciation	36,699	17,815
Amortization	31,216	5,882
Allowance for bad debts	-	985
Loss on financial assets at fair value through profit or loss	515	4,714
Interest expense	5,151	487
Interest income	(7,836)	(14,659)
Compensation cost of share-based payment transactions	10,034	-
Investment loss recognized under equity method for associates and joint venture	270	-
Loss on disposal of property, plant and equipment	-	8
Gain on disposal of investments	(2,405)	(2,181)
Total adjustments for the items of gains and losses	73,644	13,051
Changes in operating assets and liabilities:		
Decrease (increase) in financial instruments held for trading	(5,114)	(9,337)
Decrease (increase) in notes receivable	66,647	(60,592)
Decrease (increase) in accounts receivable	(135,993)	(60,075)
Decrease (increase) in accounts receivable-related parties	(22,586)	(3,095)
Decrease (increase) in construction receipts receivable	(141,270)	(81,368)
Decrease (increase) in inventories	(7,351)	(118,135)
Decrease (increase) in prepayments	(3,258)	(115,332)
Decrease (increase) in other current assets	(17,065)	(9,669)
Decrease (increase) in other financial assets	(63,203)	(17,433)
Decrease (increase) in long-term notes and accounts receivable	44,373	(7,442)
Decrease (increase) in other operating assets	-	(104,981)
Increase (decrease) in notes payable	51,977	13,530
Increase (decrease) in accounts payable	46,814	(27,982)
Increase (decrease) in accounts payable-related parties	(8,496)	8,496
Increase (decrease) in construction receipts payable	(158,409)	161,992
Increase (decrease) in other payables	11,609	12,212
Increase (decrease) in other payables-related parties	(150)	150
Increase (decrease) in other current liabilities	111	1,023
Increase (decrease) in net defined benefit liabilities-noncurrent	173	511
Net changes in operating assets and liabilities	(341,191)	(417,527)
Total adjustments	(267,547)	(404,476)
Cash generated from (used in) operations	(137,963)	(252,249)
Income taxes paid	(33,363)	(47,155)
Net cash provided by (used in) operating activities	(171,326)	(299,404)

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

Items	2016	2015
Cash Flows From Investing Activities		
Proceed from sale (acquisition) of debt investments with no active market	186,352	(392,517)
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	(6,910)	-
Acquisition of property, plant and equipment	(227,700)	(294,685)
Decrease (increase) in refundable deposits	504	(6,211)
Acquisition of intangible assets	(39,480)	(13,783)
Decrease (increase) in other financial assets	7,500	-
Increase in prepayments for equipment	(2,543)	(73,754)
Interest received	8,004	14,335
Net cash used in investing activities	(133,529)	(766,615)
Cash Flows From Financing Activities		
Proceeds from short-term bank loans	20,000	-
Proceeds from long-term bank loans	368,620	146,020
Repayments of long-term bank loans	(336,347)	(6,594)
Cash dividends paid	(110,610)	(79,360)
Proceeds from issuing shares	-	1,649,380
Cash paid for purchase of treasury stock	-	(266,072)
Proceed from purchase of treasury stock by employee	150,144	-
Interest paid	(5,118)	(162)
Increase (decrease) in noncontrolling interests	10	41,000
Net cash provided by financing activities	86,699	1,484,212
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,758)	824
Net Increase (Decrease) in Cash and Cash Equivalents	(220,914)	419,017
Cash and Cash Equivalents, Beginning of Year	703,135	284,118
Cash and Cash Equivalents, End of Year	$482,221	$703,135

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, 2016 AND 2015

(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 its 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 14, 2017.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers but not yet effected, and the International Financial Reporting Standards ("IFRS"), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the FSC for application starting from January 1, 2017.

Rule No. 1050050021 and Rule No. 1050026834 issued by Financial Supervisory Commission (FSC) stipulated that starting January 1, 2017, the Group should apply the amendments to IFRS, IAS, IFRIC and SIC (collectively as the " IFRSs") issued by the International Accounting Standards Board (IASB) and endorsed by the FSC, and the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016 (Note3)

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have a significant effect on the Group's accounting policies, except for the following:

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.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the aforementioned impact, as of the date that 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 amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The related impact will be disclosed when the Group completes the evaluation.

(2) **IFRSs issued by IASB but not yet endorsed by the FSC**

The Group has not applied the following IFRSs issued by the IASB but not endorsed by the FSC. Except that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018, the FSC has not announced the effective dates of other new IFRSs, as of the date the consolidated financial statements were authorized for issue.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014 - 2016 Cycle	(Note 2)
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 and Transition Disclosure"	January 1, 2018
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 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarifications to IFRS 15"	January 1, 2018

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after 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 that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

(a) If the objective of the Group's business model is to hold the financial asset to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method, continuously assessed for impairment and the impairment loss or reversal of impairment loss should be recognized in profit and loss.

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

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 on 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 the 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

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity'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 hedging 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, and will supersede IAS 18, "Revenue, " IAS 11, "Construction Contracts", and a number of 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.

When IFRS 15 and related amendment are effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

C. 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 Group 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 operations activities.

When IFRS 16 becomes effective, 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.

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

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount using the spot exchange rate between the functional currency and the foreign currency at 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 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 International Accounting Standards endorsed 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 Group shall prepare consolidated financial statements for the first time in the second quarter of 2015. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the 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. They are de-consolidated from the date that 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 the noncontrolling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All significant intra-group transactions, balances, income and expenses are eliminated in full on 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 by 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 between: (a) the aggregate of the 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), and 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 would be required 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. Subsidiaries included in the consolidated financial statements

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, 2016	Percentage of Ownership December 31, 2015	Note
Brogent Technologies Inc.	Brogent Mechanical Inc.	Manufacture and sales of the simulator rides and its key components	May, 2015 Taoyuan City	61.11%	61.11%	1
	Brogent Creative Inc.	Development and sales of the peripheral products of simulator rides	April, 2015 Kaohsiung City	60.00%	60.00%	1
	Brogent Hong Kong Limited	Reinvestment and trading business	June, 2015 Hong Kong	100%	100%	1
	Brogent Global Inc.	Development and management business of self-operated outlets	September, 2015 Taipei City (Note 2)	100%	100%	1
Brogent Hong Kong Limited	Brogent Rides (Shanghai) Limited	Import and export business	July, 2015 Shanghai	100%	100%	1
Brogent Rides (Shanghai) Limited	Brogent Creative (Shanghai) Limited	Development and management business of self-operated outlets	September, 2015 Shanghai	100%	100%	1

Note 1: The financial statements of subsidiaries which are incorporated into the consolidated financial statements are audited by the Company's independent auditors.

Note 2: Brogent Global Inc. was relocated to Kaohsiung City in January 2017.

C. Subsidiaries not included in the consolidated financial statements: 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 arising 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.

Regarding to the net investment in a foreign operation or long-term receivables or loans, including all foreign subsidiaries, their financial statements are translated into the presentation currency as follows: assets and liabilities are translated at the closing exchange rate at the date of that balance sheet; income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; equity items, other than the beginning retained earnings carryforward, are translated at the historical exchange rates; dividends are translated using the exchange rates at the declaration date; and all resulting exchange differences are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in a separate component of equity, shall be 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 which 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 the materials of simulation entertainment equipment. Inventories are accounted for on a perpetual basis, and 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 contract costs incurred that it is probable will be recoverable and contract costs should be expensed as incurred.

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 within "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 within "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 venture.

An associate is an entity over which the Group has significant influence and that 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 is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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 value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of 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 at that date. 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 to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

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. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it 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 an item 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 the 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 that reflects 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 subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does 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. A 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 of 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 the employees render service.

For defined contribution plan, payments to the benefit plan are recognized as an expense when the employees have rendered service 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 on retirement for their services with 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 rate used to discount is determined by using interest rates of government bonds (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

All regular way 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 at cost", "Debt investments with no active market", and "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 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, and the Group do not have a significant influence, which shall be measured at cost. 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, other than: (a) financial assets at fair value through profit or loss; (b) available-for-sale financial assets; (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Such financial assets 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 affected less.

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 (has reflected 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, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

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 what the amortized cost would have been had the impairment loss 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.

On derecognition of a financial asset, the difference between the financial asset's carrying amount and the consideration received and 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 the substance of the contractual arrangements and 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 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 the 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 recognized in profit or loss.

D. Derecognition of financial liabilities

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

(18) Share-based Payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at 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 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 by the shareholders' meeting subsequently, the differences should 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 charge of current period and of current adjustments on prior years tax estimation are calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period.

An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets are recognized for an unused tax loss and credit carryforward if, and only if, it is considered probable that there will be sufficient future taxable profits against which the loss and credit carryforward can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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, in which cases the tax is also recognized in other comprehensive income or directly in equity, respectively.

Tax privilege arising from research and development expenses uses income tax credits accounting.

(21) <u>Government Grants</u>

Government grants are recognized at their 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 realized yet should be presented as deferred revenue. If there is no rational and systematic way 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 and in the proportions in which depreciation expenses on those assets are charged. If the government grants are not related to depreciable assets and if the government requires an enterprise to fulfill certain obligations, the enterprise should recognize such government grants over the periods and in the proportions in which the related costs are incurred by the enterprise to fulfill the obligations.

If the government grants are intended to compensate for expenses or losses 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) <u>Revenue and Expense Recognition</u>

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) <u>Earnings Per Share</u>

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) 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 economic conditions or business strategies could result in significant impairment charges or reversal in future years.

(2) 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.

(3) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Group use 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 reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

(4) Accrued Pension Liabilities

When calculating the present value of defined benefit obligation, the Company 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.

(5) **Share-based Payment**

Equity-settled transaction costs between the Group and employees are measured at the fair value of equity instruments in accordance with the given terms to determine the best pricing model. The estimate also requires the best parameters to determine the pricing model, including stock options' expected duration, expected volatility, expected dividend yield, and other assumptions.

(6) **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 the longer useful life. Therefore, to be in compliance with the consumption of the future economic benefits of the buildings, the Company 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 from 2016. The change of the estimated useful life decreased depreciation expenses by NT$3,622 thousand in 2016, and a quarter of the amount was about NT$906 thousand, with the effect of any changes in estimates accounted for on a prospective basis.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) **Cash and Cash Equivalents**

	December 31, 2016	December 31, 2015
Cash	$850	$955
Checking accounts	53	53
Demand deposits	197,687	411,958
Foreign currency demand deposits	46,027	92,503
Cash equivalents	237,604	197,666
Total	$482,221	$703,135

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 and which 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, 2016	December 31, 2015
Beneficiary certificates	$135,675	$128,671

(3) Debt Investments with No Active Market

	December 31, 2016	December 31, 2015
Time deposits	$533,600	$719,952

Time deposits represent deposits with maturities of more than three months.

(4) Accounts Receivables and Long-term Accounts Receivables

	December 31, 2016	December 31, 2015
Accounts receivable-current	$313,390	$177,397
Long-term accounts receivable recoverable amount within a year	-	28,005
Less：Allowance for doubtful receivables	(985)	(985)
Accounts receivable, net	$312,405	$204,417
Accounts receivable-related parties	$25,681	$3,095
Less：Allowance for doubtful receivables	-	-
Accounts receivable-related parties, net	$25,681	$3,095
Long-term accounts receivable	$18,559	$62,932
Less：Allowance for doubtful receivables	(18,559)	(18,559)
Less：Recoverable amount within a year	-	(28,005)
Long-term accounts receivable, net	$-	$16,368

In principle, the payment term granted to customers is due 30 days from the invoice date. The allowance for bad debts is assessed by reference to the collectability of receivables by performing the account aging analysis, historical experience and current financial condition of customers.

Except for those impaired, 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 Group has not recognized a specific allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable. The Group does not hold any collateral for accounts receivable.

Aging analysis of accounts receivable

	December 31, 2016	December 31, 2015
Neither past due nor impaired	$232,972	$144,888
Past due but not impaired		
within 30 days	-	3,023
31-90 days	211	4,350
91-180 days	18,088	36,758
over 181 days	61,134	15,398
Total	$312,405	$204,417

Movements of the allowance for doubtful receivables

	2016	2015
Balance at January 1	($19,544)	($18,559)
Provision of impairment	-	(985)
Balance at December 31	($19,544)	($19,544)

(5) **Construction Contracts**

	December 31, 2016	December 31, 2015
Aggregate costs incurred plus recognized profits	$1,001,179	$1,182,592
Less：Progress billings	(727,504)	(1,208,596)
Net balance sheet position for construction in progress	$273,675	($26,004)
Presented as:		
Construction Receipts Receivable	$279,410	$138,140
Construction Receipts Payable	(5,735)	(164,144)
	$273,675	($26,004)

As of December 31, 2016 and 2015, the retentions relating to construction contracts and the advances received before the related construction work are both amounted to NT$0.

(6) **Inventories**

	December 31, 2016	December 31, 2015
Raw materials	$618	$39,049
Supplies	36,815	5,859
Work in process	12,749	359
Finished goods	7,673	184
Merchandise	3,415	-
Simulator ride materials	89,073	97,541
Less：Allowance for losses	-	-
Total	$150,343	$142,992

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

Held-to-maturity financial assets	December 31, 2016	December 31, 2015
Non-publicly traded stocks - Preferred shares	$33,900	$-

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

(8) **Financial Assets Carried at Cost-noncurrent**

Financial Assets Carried At Cost	December 31, 2016	December 31, 2015
Non-publicly traded equity instruments	$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, which are classified as Financial Assets Carried At Cost.

(9) **Investments Accounted for Using Equity Method**

A. Investments in joint venture:

	December 31, 2016	December 31, 2015
Joint venture	$6,640	$-

B. Joint venture consisted of the following:

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Group	
			December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Brogent Japan Entertainment Corporation	Development and sales of the peripheral products of simulator rides in Japan	August 2016 Tokyo, Japan	$6,640	$-	50%	-

C. Brogent Japan Entertainment Corporation was established in August 25, 2016. As of December 31, 2016, the current assets were NT$13,532 thousand and total net assets were NT$13,280 thousand. For the year ended December 31, 2016, the total comprehensive income was NT$540 thousand, and the investment loss recognized under equity method by the Group was NT$270 thousand.

(10) Property, Plant and Equipment

	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
Disposals	-	-	-	-	-	-	-	-
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
Disposals	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Balance at December 31	-	45,069	7,594	284	17,870	13,539	-	84,356
Balance at December 31, net	$139,869	$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

	2015							
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
Cost								
Balance at January 1	$-	$152,421	$-	$-	$14,400	$19,281	$154,501	$340,603
Additions	-	857	6,001	1,140	6,340	8,374	241,460	264,172
Disposals	-	-	-	-	(71)	-	-	(71)
Reclassifications	-	-	5,033	-	-	(5,033)	-	-
Balance at December 31	-	153,278	11,034	1,140	20,669	22,622	395,961	604,704
Accumulated Depreciation and Impairment								
Balance at January 1	-	17,161	-	-	5,465	7,279	-	29,905
Depreciation	-	9,263	1,641	56	4,611	2,244	-	17,815
Disposals	-	-	-	-	(63)	-	-	(63)
Reclassifications	-	-	3,829	-	-	(3,829)	-	-
Balance at December 31	-	26,424	5,470	56	10,013	5,694	-	47,657
Balance at December 31, net	$-	$126,854	$5,564	$1,084	$10,656	$16,928	$395,961	$557,047
Balance at January 1, net	$-	$135,260	$-	$-	$8,935	$12,002	$154,501	$310,698

A. Research and Testing Center of Phase 2 that the Company invested in Kaohsiung Software Technology Park was completed and ready for intended use in March 2016, and then reclassified to buildings.

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

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

D. One part of the land of Brogent Mechanical Inc., located in Zhongshan Rd., Xinwu Dist., Taoyuan City, is used for farming only, and 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., with no any consideration given. As of December 31, 2016, the farmland, which was mainly used for plants, was accounted for 1.6% of the total land areas of the Group, amounting to NT$2,202 thousand.

E. The amount of capitalized interest for the years ended December 31, 2016 and 2015, was NT$1,274 thousand and NT$4,712 thousand, respectively.

F. Please refer to Note 8 for the details of pledged property, plant and equipment.

(11) Intangible Assets

	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)
Reclassifications	-	-	-	-	-
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

	2015				
	Computer Software	Patent	Franchise	Profit sharing right	Total
Cost					
Balance at January 1	$11,301	$-	$-	$-	$11,301
Additions	13,783	-	-	-	13,783
Disposals	(965)	-	-	-	(965)
Balance at December 31	24,119	-	-	-	24,119
Accumulated amortization and impairment					
Balance at January 1	5,215	-	-	-	5,215
Amortization	5,882	-	-	-	5,882
Disposals	(965)	-	-	-	(965)
Balance at December 31	10,132	-	-	-	10,132
Balance at December 31, net	$13,987	$-	$-	$-	$13,987
Balance at January 1, net	$6,086	$-	$-	$-	$6,086

The Company signed a construction contract for indoor playground equipment of the theme park. According to the contract, the Company exchanged the simulation entertainment equipment for profit sharing right of ticket sales of the theme part. 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 its estimated useful life of 10 years, and revenue from profit sharing was recognized. Please refer to Note 6(22) for the details of recognizing revenue from profit sharing right of ticket sales, and refer to Notes 9(3) and (4) for the details of the contract commitments.

(12) Other Current and Noncurrent Assets

	December 31, 2016	December 31, 2015
Other financial assets	$148,620	$92,917
Tax refund receivable	20,599	5,701
Temporary payments	6,239	5,192
Prepayments for equipment	2,543	73,754
Others	2,665	1,713
Other noncurrent assets		
a) Profit sharing right of ticket sales	-	97,274
b) Franchise fee and guaranteed royalty	-	14,368
Total	$180,666	$290,919

	December 31, 2016	December 31, 2015
Current portion	$163,123	$83,023
Noncurrent portion	17,543	207,896
Total	$180,666	$290,919

A. Please refer to Note 8 for the details of other financial assets used as collateral.

B. Brogent Mechanical Inc. signed a purchase contract for land and plant amounting to NT$168,000 thousand in November, 2015, which was reclassified to land and plant in January, 2016.

C. Other non-current assets were reclassified to intangible assets when ready for intended use in February 2016. Please refer to Note 6(11) for the details of amortization and useful life, and refer to Notes 9(3) and (4) for the details of the contract commitments.

(13) Short-Term Loans

	December 31, 2016	December 31, 2015
Line of credit borrowings	$20,000	$-
Annual interest rate	1.700%	-

Brogent Mechanical Inc. borrowed short-term loans form the bank for working capital purpose, and paid off in January 11, 2017.

(14) Other Payables

	December 31, 2016	December 31, 2015
Accrued payroll	$43,407	$44,497
Payables on equipment	3,542	4,084
Accrued insurance	2,604	1,966
Accrued professional fee	1,083	2,462
VAT payable	735	1,827
Accrued pension	1,262	1,079
Others	25,153	10,771
Total	$77,786	$66,686

(15) Long-term Bank Loans

	December 31, 2016	December 31, 2015
Secured Loans		
Taiwan Cooperative Bank：		
Loan period from February 2013 to August 2027; monthly repayments beginning from August, 2014 to August 2027 at an annual rate of 1.71% ~2.36%.	$-	$87,244
Loan period from October 2014 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in October 2014 and repayment of principal upon maturity.	-	21,933
Loan period from November 2014 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in November 2014 and repayment of principal upon maturity.	-	18,178
Loan period from December 2014 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in December 2014 and repayment of principal upon maturity.	-	45,249
Loan period from January 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in January 2015 and repayment of principal upon maturity.	-	28,756
Loan period from February 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in February 2015 and repayment of principal upon maturity.	-	22,666
Loan period from March 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in March 2015 and repayment of principal upon maturity.	-	12,501

	December 31, 2016	December 31, 2015
Loan period from April 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in April 2015 and repayment of principal upon maturity.	-	5,789
Loan period from May 2015 to April 2016; monthly payment of interest at an interest rate of 1.83% beginning in May 2015 and repayment of principal upon maturity.	-	7,975
Loan period from June 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in June 2015 and repayment of principal upon maturity.	-	15,314
Loan period from July 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in July 2015 and repayment of principal upon maturity.	-	11,788
Loan period from August 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in August 2015 and repayment of principal upon maturity.	-	13,342
Loan period from September 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in September 2015 and repayment of principal upon maturity.	-	10,078
Loan period from October 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in October 2015 and repayment of principal upon maturity.	-	7,337

	December 31, 2016	December 31, 2015
Loan period from December 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in December 2015 and repayment of principal upon maturity.	-	10,474
Loan period from April 2016 to October 2031; monthly repayment of interest at an annual rate of 1.57%~1.82% beginning in April 2016 and monthly repayment of principal.	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% beginning in January 2016 and quarterly repayment of principal.	120,000	-
	350,897	318,624
Less：Current portion	(21,681)	(238,060)
Noncurrent liabilities	$329,216	$80,564

A. The Company signed a long-term loan contract with Taiwan Cooperative Bank Co., Ltd. in February 2013, amounting to NT$96,000 thousand. In March 2016, the Company paid off in advance due to long-term operating planning.

B. The Company signed a long-term loan contract for Phase 2 construction project of Kaohsiung Software Park with Taiwan Cooperative Bank Co., Ltd. in October 2014, amounting to NT$240,000 thousand. In April 2016, the Company signed another long-term loan contract with Taiwan Cooperative Bank Co., Ltd., amounting to NT$240,000 thousand to repay the original borrowing of Research and Testing Center of Phase 2.

C. Brogent Mechanical Inc. signed a long-term loan contract with CTBC Bank Co., Ltd. in January 2016, amounting to NT$120,000 thousand.

D. The Group's land and buildings were used as first-priority mortgage on the collateral for the secured loans. Details were summarized in Note 8.

(16) Pensions

	2016	2015
Defined benefit pension costs	$410	$563
Defined contribution pensions	7,598	5,659
Total	$8,008	$6,222

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 inadequate to pay 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, 2016 and 2015, the Company's pension account balance was NT$1,236 thousand and NT$991 thousand, respectively.

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligation	$8,416	$8,576
Fair value of plan assets	(1,244)	(1,000)
Accrued pension liabilities	$7,172	$7,576

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, 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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability(Asset)
Balance at January 1, 2015	$7,910	($923)	$6,987
Service cost	422	-	422
Net interest expense (income)	160	(19)	141
Recognized in profit or loss	582	(19)	563
Premeasurement			
Actuarial loss (gain) of return on plan assets	-	(6)	(6)
Actuarial loss (gain) from changes in financial assumptions	286	-	286
Actuarial loss (gain) from experience adjustments	(202)	-	(202)
Recognized in other comprehensive income	84	(6)	78
Contributions by the Company	-	(52)	(52)
Balance at December 31, 2015	$8,576	($1,000)	$7,576

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, 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 and 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, 2016	December 31, 2015
Discount rate	1.75%	1.80%
Future salary increase rate	2.00%	2.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2016	December 31, 2015
Discount rate		
0.25% increase	($318)	($355)
0.25% decrease	$331	$373
Future salary increase rate		
1% increase	$1,401	$1,585
1% decrease	($1,199)	($1,337)

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, 2016	December 31, 2015
The expected contributions to the plan for the next year	$240	$192
The average duration	18 years	19 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) <u>Capital Stock</u>

	December 31, 2016	December 31, 2015
Authorized capital	$500,000	$500,000
Issued capital	$446,780	$446,780

As of December 31, 2016, 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.

To bring in 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 would 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 related matters. The record date determined by the resolution of the Board of Directors was June 4, 2015. There were 1,030 thousand shares issued by private placement at a premium of NT$308 per share. Aforementioned issuance of new shares had already been registered. As of the date of the consolidated financial statements, there are 7,030 thousand shares issued by private placement. All the rights and obligations for the privately placed shares are the same as 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 10%~15% 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. The appropriations of earnings for 2015 had been resolved at the shareholders' meeting on May 31, 2016. The appropriations were as follows:

	2015	
	Amount	Dividends Per Share (NT$)
Legal reserve	$11,238	
Special reserve	751	
Cash dividends	110,610	$2.50
Total	$122,599	

D. The appropriations of earnings for 2016 had been approved in the meeting of the Board of Directors held on March 14, 2017 and are to be presented for approval in the shareholders' meeting. 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. According to the amendments to the R.O.C. Company Law in May 2015, the dividends and bonuses shall be distributed to shareholders and the employees are not entitled to share bonuses. Please refer to Note 6(24) for the details of the accrued and actual amounts of employees' bonuses and directors' and supervisors' remuneration.

(20) Treasury Stock

In order to retain and recruit talents, motivate employees and enhance their centripetal force, the Company expected to repurchase 1,000 thousand shares representing 2.24% of the total issued shares on the approval of the Board of Directors in July, 2015. The repurchase period was from July 22 to September 21, 2015. The predetermined interval of repurchase price was from NT$170 to NT$448 per share.

From July 23 to September 1, 2015, the Company repurchased 1,000 thousand shares at the price of NT$249.5-NT$283 per share, and the total amount of the repurchase was NT$266,072 thousand. As of December 31, 2016, the Company had 44,244 thousand shares outstanding.

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:

	2016	
Stock options	Numbers (thousand shares)	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. As of 31 December, 2016, Brogent Mechanical Inc. issued employee share option as follows:

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

B. Brogent Mechanical Inc. recognized expense, which was classified as operating expense, and related additional paid-in capital amounting to NT$27 thousand due to the above issued employee stock option.

C. Brogent Mechanical Inc. estimated the fair value of employee stock option using Binomial Option Pricing Model, and the related information was as follows:

	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	2016	2015
Construction contract revenue	$818,109	$675,537
Mobile phone software revenue	57	593
Royalty revenue	25,308	-
Service and maintenance revenue	17,043	4,348
Sales revenue	6,837	24,946
Profit sharing of ticket sales	14,316	-
Total	$881,670	$705,424

(23) Other Gains and Losses

	2016	2015
Loss on financial assets at fair value through profit or loss	($515)	($4,714)
Loss on investments accounted for using equity method	(270)	-
Net currency exchange gain	(6,841)	7,435
Gain on disposal of investment	2,405	2,181
Loss on disposal of property, plant and equipment	-	(8)
Other gains	23,789	9,343
Other losses	(177)	(6,594)
Total	$18,391	$7,643

(24) Additional Information of Expenses by Nature

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

Items	2015		
	Cost of Revenue	Operating Expenses	Total
Employee benefit expense			
Salaries and wages	$53,210	$84,855	$138,065
Labor/Health insurance expenses	5,505	5,820	11,325
Pension costs	3,002	3,220	6,222
Other employee benefit expenses	2,561	4,620	7,181
Total	$64,278	$98,515	$162,793
Depreciation expense	$10	$17,805	$17,815
Amortization expense	$7	$5,875	$5,882

As of December 31, 2016 and 2015, the number of the Company's employees was 242 and 209, respectively, state of agreeing with the calculation basis of employee benefit expense recognized above.

The accrued amounts of employees' compensation and directors' and supervisors' remuneration for 2016 based on income before employees' compensation and directors' and supervisors' was estimated by ratio, amounting to NT$15,518 thousand and NT$3,104 thousand, respectively. The proposed distribution amounts above were state of agreeing with the amounts recognized as expenses in 2016, and such amounts are to be reported in the general shareholders' meetings held in 2017.

In accordance with Brogent Technologies Inc. Articles, if there are net profits of each fiscal year, the employees' compensation and directors and supervisors' remuneration for 2015 was estimated by ratio, amounting to NT$16,059 thousand and NT$3,212 thousand, respectively, which was approved by the general shareholders' meetings held on May 31, 2016. The actual distribution amounts above were state of agreeing with the proposal of the Board of Directors on March 9, 2016 and had been recognized as expenses in 2015.

The accrued amounts of employees' compensation and directors' and supervisors' remuneration were recognized as expenses. If the actual distribution amounts 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:

	2016	2015
Current tax:		
Current tax on profits for the period	$28,498	$28,132
Additional income tax on unappropriated earnings	4	8,226
Current adjustments on prior years tax estimation	(1,064)	(2,174)
Total current tax	27,438	34,184
Deferred tax:		
The origination and reversal of temporary differences	(3,981)	(1,351)
Loss carryforwards	15	(375)
Total deferred tax	(3,966)	(1,726)
Income tax expense	$23,472	$32,458

B. Income tax expense recognized in other comprehensive income:

	2016	2015
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plans	$98	($13)
Exchange differences arising on translation of foreign operations	(469)	140
	($371)	$127

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

	2016	2015
Income before income tax	$129,584	$152,227
Income tax expense at the statutory rate (17%)	$20,474	$27,546
Effects from adjusting items in determining taxable income	8,024	586
The origination and reversal of temporary differences	(3,981)	(1,351)
Loss carryforwards	15	(375)
Additional income tax on unappropriated earnings	4	8,226
Income tax adjustments on prior years	(1,064)	(2,174)
Income tax expense recognized in profit or loss	$23,472	$32,458

D. Amounts of deferred tax assets or liabilities were as follows:

	December 31, 2016	December 31, 2015
Temporary differences		
Unrealized defined benefit pensions	$495	$465
Loss on valuation of accounts receivable	689	278
Unrealized exchange loss (gains)	1,032	(1,161)
Loss (gain) on valuation of financial assets	-	342
Depreciation expense	1,666	1,701
Unrealized sales profit	-	863
Loss (gain) on investment using equity method	444	(1,559)
Unrealized warranty expense	943	-
Others	244	(127)
Loss carryforwards	-	375
Deferred income tax assets (liabilities)	$5,513	$1,177

E. Unused loss carryforwards and tax-exemption information were as follows:

As of December 31, 2016, unused loss carryforwards of Brogent Creative Inc. consisted of the following:

Year Incurred	Creditable Amount	Used Creditable Amount	Remaining Creditable Amount	Usable Until Year
2015	$91	$91	$-	2025

As of December 31, 2016, unused loss carryforwards of Brogent Global Inc. consisted of the following:

Year Incurred	Creditable Amount	Used Creditable Amount	Remaining Creditable Amount	Usable Until Year
2015	$2,115	$-	$2,115	2025
2016	18,246	-	18,246	2026
	$20,361	$-	$20,361	

F. Integrated income tax information of the Company:

	December 31, 2016	December 31, 2015
Balance of the Imputation Credit Account	$31,854	$37,410

	2016(Expected)	2015(Actual)
Tax creditable ratio of earnings distribution	25.48%	23.59%

Under the Income Tax Act, the imputation credit allocated to shareholders is based on its balance as of the date of the dividend distribution. The estimated creditable ratio may change when the actual distribution of the imputation credit is made.

Effective from January 1, 2015, the creditable ratio for individual shareholders residing in the Republic of China is half of the original creditable ratio according to the revised Income Tax Act.

G. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

(26) Earnings per Share

	2016	2015
Basic earnings per share	$2.30	$2.57
Diluted earnings per share	$2.30	$2.57

Earnings per share is computed as follows:

	Amount (In Thousands)	Number of Shares (In Thousands)	Earnings Per Share (NT$)
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
2015			
Basic earnings per share			
Net income attributable to common shareholders of the parent	$112,384	43,712	$2.57
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)	$112,384	43,712	$2.57

7. RELATED PARTY TRANSACTIONS

(1) 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:

A. Revenues

Type of Related Parties	2016	2015
Entities with significant influence over the subsidiary	$25,445	$3,390

B. Purchases

Type of Related Parties	2016	2015
Entities with significant influence over the subsidiary	$4,456	$48,123

C. Receivables from related parties

Financial Statement Items	Type of Related Parties	December 31, 2016	December 31, 2015
Accounts receivable-related parties	Entities with significant influence over the subsidiary	$25,681	$3,095

D. Payables to related parties

Financial Statement Items	Type of Related Parties	December 31, 2016	December 31, 2015
Accounts payable-related parties	Entities with significant influence over the subsidiary	$-	$8,496
Other payables-related parties	Entities with significant influence over the subsidiary	$-	$150

E. Acquisition of other assets

Type of Related Parties	2016	2015
Entities with significant influence over the subsidiary	$316	$14,368

F. Other related parties transactions

Financial Statement Items	Type of Related Parties	2016	2015
Other revenue	Entities with significant influence over the subsidiary	$120	$-
Manufacturing expenses	Entities with significant influence over the subsidiary	$1,964	$9,995

Financial Statement Items	Type of Related Parties	2016	2015
Administrative expenses	Entities with significant influence over the subsidiary	$565	$3,000
Selling and marketing expenses	Entities with significant influence over the subsidiary	$-	$920
Research and development expenses	Entities with significant influence over the subsidiary	$-	$286
Refundable deposits (At the end of the year)	Entities with significant influence over the subsidiary	$-	$500

The sales prices and payment terms between the Group and its related parties are not significantly different from those to non-related parties. For other related party transactions with no same classified variety, prices and terms are determined in accordance with mutual agreements.

(2) Key management compensation was as follows:

	2016	2015
Short-term employee benefits	$15,867	$12,822
Post-employment benefits	410	626
Total	$16,277	$13,448

8、PLEDGED ASSETS

Pledged Assets	December 31, 2016	December 31, 2015	Purpose
Other financial assets-current (Pledged time deposits)	$133,620	$67,133	Construction performance guarantee, warranty
Other financial assets-current (Restricted assets-reserve account)	-	3,284	Construction performance guarantee
Other financial assets-noncurrent (Pledged time deposits)	15,000	22,500	Lease development guarantee
Land	139,868	-	Long-term loans
Buildings	449,848	126,854	Long-term loans
Total book value	$738,336	$219,771	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2016 and 2015, the Group had outstanding notes payable for the purpose of construction performance guarantee and warranty, both amounting to NT$15,468 thousand.

(2) 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 should increase 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 period is 20 years, beginning from March 14, 2012 to March 13, 2032. The lease agreements can be renewed upon expiration. As of December 31, 2016, the Company had pledged time deposits for the purpose of lease development guarantee amounting to NT$15,000 thousand. The lease payments recognized in 2016 and 2015 were NT$7,424 thousand and NT$6,437 thousand, respectively.

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

The future aggregated minimum lease payments are as follows:

Years Range on the Lease	December 31, 2016	December 31, 2015
Within 1 year	$9,068	$6,661
Over 1 year and not later than 5 years	57,388	39,069
Later than 5 years	155,719	124,351
Total	$222,175	$170,081

(3) The Company signed a construction contract for indoor playground equipment of the theme park amounting to NT$375,000 thousand with the buyer in July 2014. The buyer shall pay NT$150,000 thousand for construction work to the Company and the remaining NT$225,000 thousand shall be paid by the proceeds from the profit sharing of ticket sales. After the buyer pays up the total contract price, he still needs to continue paying the proceeds from the profit sharing of ticket sales to the Company when operating.

(4) The Company signed a copyright contract with the seller in October 2014, including franchise fees amounting to 6,250 thousand yen and guaranteed royalties amounting to 48,000 thousand yen. The Company shall continue to pay royalties based on the contract provision even the guaranteed royalties are in-sufficient 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, 2016	December 31, 2015
Cash and cash equivalents	$482,221	$703,135
Financial assets at fair value through profit or loss	135,675	128,671
Debt investments with no active market-current	533,600	719,952
Accounts and notes receivable	312,405	271,064
Accounts and notes receivable-related parties	25,681	3,095
Held-to-maturity financial assets-noncurrent	33,900	-
Financial assets carried at cost-noncurrent	25,356	-
Refundable deposits	9,129	9,633
Other financial assets	148,620	92,917
Long-term receivables	-	16,368
Total	$1,706,587	$1,944,835

Financial Liabilities	December 31, 2016	December 31, 2015
Short-term bank loans	$20,000	$-
Accounts and notes payable	164,491	65,700
Accounts and notes payable-related parties	-	8,496
Other payables	77,786	66,686
Other payables-related parties	-	150
Long-term bank loans (including current portion)	350,897	318,624
Total	$613,174	$459,656

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

Some 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 mainly focuses 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, 2016 and 2015 would have decreased (or increased) by NT$27,989 thousand and NT$50,953 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, 2016 and 2015 would have decreased (or increased) by NT$1,200 thousand and NT$4,038 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, 2016 and 2015 would have decreased (or increased) by NT$3,193 thousand and NT$7,307 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, 2016 and 2015 would have decreased (or increased) by NT$9,347 thousand and NT$16,816 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 mainly focuses 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, 2016 and 2015 would have decreased (or increased) by NT$160 thousand and NT$359 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 mainly focuses 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, 2016 and 2015 would have increased (or decreased) by NT$9,497 thousand and NT$9,007 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, 2016 and 2015, the Group's top three largest customers accounted for 71.64% and 65.43% 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.

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

December 31, 2015	Less than 1 year	2-3 years	4-5 years	Over 5 years	Total
Accounts and notes payable	$65,700	$-	$-	$-	$65,700
Accounts and notes payable-related parties	8,496	-	-	-	8,496
Other payables	66,686	-	-	-	66,686
Other payables-related parties	150	-	-	-	150
Long-term bank loans	240,887	16,985	16,985	57,324	332,181
Total	$381,919	$16,985	$16,985	$57,324	$473,213

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

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss				
Beneficiary certificates	$128,671	$-	$-	$128,671

For assets and liabilities held as of December 31, 2016 and 2015, that are measured at fair value on a recurring basis, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

There were no purchases and disposals for assets on Level 3 for the years ended December 31, 2016 and 2015, 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, 2016			December 31, 2015		
	Foreign Currencies	Exchange Rate	TWD	Foreign Currencies	Exchange Rate	TWD
Financial Assets						
Monetary items						
USD	$9,348	32.25	$301,473	$15,610	32.78	$511,696
CAD	502	23.91	12,003	1,716	23.53	40,377
EUR	1,011	33.90	34,273	2,053	35.68	73,251
CNY	22,123	4.97	168,354	33,874	4.97	168,354
JPY	180	0.28	50	107	0.27	29
Non-monetary items						
JPY	33,333	0.28	9,333	48,000	0.27	12,960
CNY	-	4.62	-	4	4.97	20
Financial Liabilities						
Monetary items						
USD	669	32.25	21,575	66	32.88	2,170

	December 31, 2016			December 31, 2015		
	Foreign Currencies	Exchange Rate	TWD	Foreign Currencies	Exchange Rate	TWD
Financial Liabilities						
EUR	69	33.90	2,339	5	36.08	180
CNY	1,891	4.62	8,736	41	5.02	206

13. ADDITIONAL DISCLOSURES

(1) Related Information on Significant Transactions

No.	Items	Table
1	Financings provided	None
2	Endorsement/guarantee provided	1
3	Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and jointly controlled entities)	2
4	Aggregate purchases or sales of the same securities reaching NT$300 million or 20% of the paid-in capital or more	3
5	Acquisition of individual real estate reaching NT$300 million or 20% of the paid-in capital or more	4
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	5
8	Receivables from related parties reaching NT$100 million or 20% of the paid-in capital or more	None
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: Endorsement/guarantee provided as of December 31, 2016

(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	$778,215	$141,000	$141,000	-	-	5.44%	$1,297,025	Yes	No	Yes
		Brogent Creative (Shanghai) Limited	Investee of Subsidiary	778,215	94,000	94,000	-	-	3.62%	1,297,025	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 2: Marketable Securities Held as of December 31, 2016 (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, 2016 Shares/Units (In Thousands)	December 31, 2016 Carrying Value (Foreign Currencies in Thousands) (Note 3)	December 31, 2016 Percentage of Ownership (%)	December 31, 2016 Fair Value (Foreign Currencies in Thousands) (Note 4)	Remark (Note 4)
Brogent Technologies Inc.	Callable Bond							
	Central Government 104-1	None	Cash equivalents	-	$20,000	-	$20,000	
	02 TSMC 1A	None	Cash equivalents	-	20,000	-	20,000	
	01 TSMC 2A	None	Cash equivalents	-	20,000	-	20,000	
	Central Government 105-A8	None	Cash equivalents	-	40,000	-	40,000	
	02 FPG2A	None	Cash equivalents	-	9,667	-	9,667	
	01 UMC1A	None	Cash equivalents	-	20,222	-	20,222	
	01 FPG2A	None	Cash equivalents	-	10,111	-	10,111	
	01 UNI-PRESIDENT 1	None	Cash equivalents	-	30,000	-	30,000	
	Fund							
	Nomura - Global Bond Portfolio	None	Financial assets at fair value through profit or loss-current	1,968	20,017	-	20,017	
	JPMorgan - Global Emerging Markets Corporate Bond Fund	None	Financial assets at fair value through profit or loss-current	1,835	19,500	-	19,500	
	Taishin - 1699 Money Market Fund	None	Financial assets at fair value through profit or loss-current	1,495	20,033	-	20,033	
	Prudential- Money Market Fund	None	Financial assets at fair value through profit or loss-current	1,280	20,046	-	20,046	
	Prudential - RMB Money Market Fund	None	Financial assets at fair value through profit or loss-current	957	RMB 10,000	-	RMB 10,000	
	Yuanta - Yuanta Global USD Corporate Bond	None	Financial assets at fair value through profit or loss-current	983	9,620	-	9,620	
Brogent Global Inc.	Callable Bond							
	00Cathay United 2A	None	Cash equivalents	-	25,000	-	25,000	
	Common Stock							

Held Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Securities Issuer (Note 2)	Financial Statement Item	December 31, 2016				Remark (Note 4)
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands) (Note 3)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands) (Note 4)	
Brogent Global Inc.	This is Holland B.V.	None	Financial assets carried at cost - noncurrent	-	17,856	10%	17,856	
	Jump Media International Co., LTD.	None	Financial assets carried at cost - noncurrent	200	7,500	2.86%	7,500	
	Preferred Stock							
	This is Holland B.V.	None	Financial assets in held-to-maturity - noncurrent	-	33,900	-	33,900	

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 3: Aggregate Purchases or Sales of the Same Securities Reaching NT$300 Million or 20% of the Paid-in Capital or More

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

Company Name	Type and Name of Marketable Securities	Financial Statement Item	Counterparty	Relationship with the counterparty	Balance at January 1, 2016		Acquisition		Disposal				Balance at December 31, 2016	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units (In Thousands)	Amount
Brogent Technologies Inc.	Callable Bond													
	101 Kaohsiung Government 01	Cash equivalents	-	-	-	-	-	$477,00	-	$477,170	$477,000	$170	-	$-
	99 Taiwan Cooperative Bank 2A	Cash equivalents	-	-	-	-	-	100,000	-	100,070	100,000	70	-	-
	JPMorgan Chase24	Cash equivalents	-	-	-	-	-	337,149	-	340,201	337,149	3,052	-	-
	02 Standard Chartered 1D	Cash equivalents	-	-	-	-	-	100,000	-	100,033	100,000	33	-	-
	Central \ Government 104-1	Cash equivalents	-	-	-	-	-	143,441	-	123,514	123,441	73	-	20,000
	02 TSMC 1A	Cash equivalents	-	-	-	-	-	95,000	-	75,044	75,000	44	-	20,000
	02 TSMC 2A	Cash equivalents	-	-	-	-	-	100,000	-	80,035	80,000	35	-	20,000
Brogent Global Inc.	Callable Bond													
	02 TSMC 1A	Cash equivalents	-	-	-	-	-	115,000	-	115,075	115,000	75	-	-

Table 4: Acquisition of Individual Real Estate Reaching NT$300 Million or 20% of the Paid-in Capital or More

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

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counterparty	Relationship with the Counterparty	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Brogent Mechanical Inc.	Property, Plant and Equipment	November 6, 2015	$168,000	By the contract	Individual	-	N/A	N/A	N/A	N/A	Valuation report	Production expansion	(Note 1)

Note 1 : One part of the land of Brogent Mechanical Inc., located in Zhongshan Rd., Xinwu Dist., Taoyuan City, is used for farming only, and 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., with no any consideration given. As of December 31, 2016, the farmland, which was mainly used for plants, was accounted for 1.6% of the total land areas of the Group, amounting to NT$2,202 thousand.

Table 5: 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)

Purchases /Sales Company	Name of transactions	Nature of Relationship	Transaction Details				Reasons and Situations of Different of Trading Conditions and General Transactions		Notes/Accounts Receivables or Payables		Note
			Purchases/Sales	Amounts	Ratio of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Ratio of Total Notes/Accounts Receivables or Payables	
Brogent Technologies Inc.	Brogent Mechanical Inc.	Subsidiary	Purchases	$131,048	24%	OA 60 Days	-	-	$99,967	46%	

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	$99,967	-	3%
				Prepayments	58,230	-	2%
				Purchases	131,048	-	15%
		Brogent Creative Inc.	1	Rental Incomes	72	-	-
		Brogent Global Inc.	1	Payables to related parties	3,310	-	-
				Advance by projects	60,000	-	2%
				Sales	2,653	-	-
				Purchases	3,152	-	-
				Labor costs	12,000	-	1%
				Marketing costs	2,571	-	-
				Rental Incomes	1,200	-	-
				Disposals	329	-	-
1	Brogent Creative Inc.	Brogent Global Inc.	2	Receivables to related parties	222	-	-
				Sales	4,834	-	1%

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: <u>Information on Investees</u> (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, 2016			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2016(Foreign Currencies in Thousands)	December 31, 2015	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	6,545	61.11%	$74,263	$12,449	$7,608	Subsidiary
	Brogent Creative Inc.	Kaohsiung City	Development and sales of the peripheral products of simulator rides	9,000	$9,000	900	60.00%	8,838	672	(126)	Subsidiary
	Brogent Hong Kong Limited	Hong Kong	Reinvestment and trading business	54,063 (USD 1,700)	54,063 (USD 1,700)	-	100.00%	49,517 (USD 1,535)	(1,972) (USD (61))	(1,972)	Subsidiary
	Brogent Global Inc.	Taipei City (Note 2)	Development and management business of self-operated outlets	300,000	300,000	30,000	100.00%	278,114	(20,109)	(20,109)	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	7,458 (JPY 25,000)	-	-	50.00%	6,640 (JPY 24,092)	540 (JPY 1,815)	270 (JPY 908)	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: Brogent Global Inc. has been relocated to Kaohsiung City, Taiwan in January 2017.

Table 8: Information on Investments in Mainland China

(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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Brogent Rides (Shanghai) Limited	Import and export business	$22,690 (USD 700)	2	$22,690 (USD 700)	$-	$-	$22,690 (USD 700)	($1,390) (USD (43))	100%	($1,390)	$18,989 (USD 589) (Note2)	$-
Brogent Creative (Shanghai) Limited	Development and management business of self-operated outlets	14,961 (RMB 3,000)	2	-	-	-	-	(1,198) (RMB (246))	100%	(1,198)	12,534 (RMB 2,715) (Note2)	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$22,690 (USD 700)	$22,690 (USD 700)	$1,556,430

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 will uphold the concept of sustainable development, and achieve the objective of making profits for the shareholders in the coming year. Starting from this year, 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	
	2016	2015	December 31, 2016	December 31, 2015
Taiwan	$107,566	$79,964	$956,412	$756,430
Asia	389,411	222,244	-	-
Europe	28,357	191,648		
United States	356,336	211,568	-	-
Total	$881,670	$705,424	$956,412	$756,430

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	2016	2015
Construction contract revenue	$818,109	$675,537
Mobile phone software revenue	25,308	-
Royalty revenue	14,316	-
Service and maintenance revenue	17,043	4,348
Others	6,894	25,539
Total	$881,670	$705,424

(4) Major Customer's Information

Customer	2016		2015	
	Amount	Percentage of Net Revenue	Amount	Percentage of Net Revenue
Customer Q	$252,980	28.69	$80,572	11.42
Customer P	118,480	13.44	74,976	10.63
Customer O	111,023	12.59	97,010	13.75
Customer S	103,201	11.71	-	-
Customer T	84,256	9.56	-	-
Customer R	69,315	7.86	10,108	1.43
Customer N	28,357	3.22	210,975	29.91
Customer L	13,810	1.57	115,259	16.34
Customer F	-	-	55,743	7.90