Brogent Technologies Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

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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. 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, 2018 and 2017

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, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards No.10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Brogent Technologies Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

BROGENT TECHNOLOGIES INC.

By

HUANG, CHUNG-MING
Chairman
March 12, 2019

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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, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit and the report of the other independent accountants, (please refer to the paragraph of Other Matters) the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Group as of December 31, 2018 and 2017, and its consolidated statements of comprehensive income and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission in Taiwan.

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. 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 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, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters in this auditors' report are stated as follows:

Impairment of Accounts Receivable

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

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 94.82% of the annual net revenue. The carrying amount of accounts receivable as of December 31, 2018 accounts for approximately 12.21% of current assets. The amount is significant and represents the major cash inflows provided by the operating activities of the Group. These involve the identification and subjective judgment for the construction contract, as a result, construction contract revenue and related receivable has been identified as a key audit matter.

Please refer to Note 4(15) to the consolidated financial statements for the related accounting policy. For the carrying amount of accounts receivable, please refer to Note 6(5) to the consolidated financial statements.

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

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

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

Please refer to Note 4(8) to the consolidated financial statements for the accounting policy in regard to construction contracts. For net amount for the construction contract and the recognition of revenue and costs, please refer to Notes 6(6) and 6(23) of the consolidated financial statements.

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

Impairment of Property, Plant and Equipment and Intangible Assets

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

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

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

Other Matters – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of a wholly-owned consolidated subsidiary whose statements are based solely on the reports of other auditors that is included in the consolidated financial statements. Total assets of the subsidiary amounted to NT$353,841 thousand and NT$350,275 thousand, which constituting 8.39% and 10.08% of consolidated total assets as of December 31, 2018 and 2017, respectively, and operating income was NT$ 91,970 thousand and NT$129,964 thousand, which constituting 5.62% and 8.58% of consolidated total operating income for the years ended December 31, 2018 and 2017, respectively.

We have also audited the individual financial statements of Brogent Technologies Inc. for the years ended December 31, 2018 and 2017 on which we have issued an unqualified opinion with other matter paragraph, as reference.

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.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements,

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton.

Grant Thornton
March 12, 2019
Kaohsiung, Taiwan
(File No. B002.19F0009)

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

Items	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current Assets				
Cash and cash equivalents (Note 6(1))	$660,349	16	$710,647	20
Financial assets at fair value through profit or loss-current (Note 6(2))	459,056	11	230,967	7
Financial assets at amortized cost-current (Notes 6(3) and 8)	304,864	7	-	-
Debt investments with no active market-current (Note 6(4))	-	-	196,066	6
Notes and accounts receivable, net (Note 6(5))	326,625	8	225,968	7
Construction receipts receivable (Note 6(6))	529,353	12	440,021	13
Income tax assets	61	-	9,659	-
Inventories (Note 6(7))	200,016	5	189,115	5
Prepayments	162,390	4	159,587	5
Other current assets (Notes 6(13) and 8)	31,148	1	41,607	1
Total current assets	2,673,862	64	2,203,637	64
Noncurrent Assets				
Financial assets at fair value through profit or loss-noncurrent (Note 6(2))	134,530	3	-	-
Held-to-maturity financial assets- noncurrent (Note 6(8))	-	-	35,570	1
Financial assets at amortized cost-noncurrent (Notes 6(3) and 8)	59,175	2	-	-
Financial assets carried at cost - noncurrent (Note 6(9))	-	-	17,856	1
Investments accounted for using equity method (Note 6(10))	5,772	-	8,061	-
Property, plant and equipment (Notes 6(11) and 8)	1,066,459	25	951,441	27
Intangible assets (Note 6(12))	166,597	4	120,157	4
Deferred income tax assets (Note 6(26))	12,618	-	6,392	-
Refundable deposits	11,719	-	9,794	-
Long-term notes and accounts receivable (Note 6(5))	-	-	9,656	-
Other noncurrent assets (Notes 6(13) and 8)	85,079	2	112,338	3
Total noncurrent assets	1,541,949	36	1,271,265	36
Total Assets	$4,215,811	100	$3,474,902	100

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
Items	**Amount**	%	**Amount**	%
Current Liabilities				
Notes payable	$11,328	-	$15,812	-
Accounts payable	109,690	3	35,111	1
Construction receipts payable (Note 6(6))	74,294	2	93,541	3
Other payables (Note 6(14))	110,080	3	96,101	3
Income tax payable	39,319	1	31,395	1
Long-term liabilities-current portion (Note 6(15))	108,927	3	38,576	1
Other current liabilities	79,185	2	2,607	-
Total current liabilities	532,823	14	313,143	9
Noncurrent Liabilities				
Long-term bank loans (Note 6(15))	759,343	18	342,474	10
Deferred income tax liabilities (Note 6(26))	16,008	-	5,730	-
Net defined benefit liabilities-noncurrent (Note 6(16))	8,165	-	7,835	-
Total noncurrent liabilities	783,516	18	356,039	10
Total Liabilities	1,316,339	32	669,182	19
Equity Attributable To Shareholders of the Parent				
Capital stock				
Common stock (Note 6(17))	530,928	13	446,780	13
Capital surplus				
Additional paid-in capital (Note 6(20))	1,779,281	42	1,793,826	52
From convertible bonds (Note 6(20))	247,223	6	249,244	7
From treasury shares (Note 6(20))	-	-	9,566	-
From share of changes in equities of associates and joint venture	1,219	-	849	-
Total capital surplus (Notes 6(18) and (19))	2,027,723	48	2,053,485	59
Retained earnings				
Legal reserve	73,817	2	47,250	1
Special reserve	4,049	-	751	-
Unappropriated earnings (Note 6(19))	192,647	4	318,257	9
Total retained earnings	270,513	6	366,258	10
Other equity				
Foreign Currenty Transation Reserve-subsidiaries accounted for using equity method	7,631	-	(3,409)	-
Foreign Currenty Transation Reserve-associates and joint ventures accounted for using equity method	(619)	-	(640)	-
Total other equity	7,012	-	(4,049)	-
Treasury shares (Note 6(20))	-	-	(115,476)	(3)
Equity Attributable To Shareholders Of The Parent	2,836,176	67	2,746,998	79
Non-controlling Interests (Note 6(21))	63,296	1	58,722	2
Total Equity	2,899,472	68	2,805,720	81
Total Liabilities and Equity	$4,215,811	100	$3,474,902	100

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings per Share)

	2018		2017	
Items	**Amount**	**%**	**Amount**	**%**
Net Revenue (Note 6(23))	$1,637,438	100	$1,514,469	100
Cost of Revenue (Note 6(25))	(916,196)	(56)	(789,134)	(52)
Gross Profit	721,242	44	725,335	48
Operating Expenses				
Selling and marketing	(56,277)	(3)	(39,867)	(3)
General and administrative	(257,083)	(16)	(214,785)	(14)
Research and development	(118,370)	(7)	(129,949)	(8)
Total operating expenses (Notes 6(25) and 7)	(431,730)	(26)	(384,601)	(25)
Operating Income	289,512	18	340,734	23
Non-operating Income and Losses				
Other gains and losses (Notes 6(24) and 7)	33,657	1	(12,911)	(1)
Interest income	11,368	-	7,216	-
Interest costs	(10,713)	-	(6,238)	-
Loss from investment in associates and joint ventures accounted for using equity method (Note 6(10))	(2,697)	-	(1,238)	-
Total non-operating income and loss	31,615	1	(13,171)	(1)
Income Before Income Tax	321,127	19	327,563	22
Income Tax Expenses (Note 6(26))	(62,709)	(4)	(56,382)	(4)
Net Income	258,418	15	271,181	18
Other Comprehensive Income (Loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(249)	-	(583)	-
Income tax benefit related to components of other comprehensive income that will not be reclassified subsequently (Note 6(26))	52	-	99	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations	11,075	1	(2,196)	-
Exchange differences arising on translation of foreign operations of associates and joint ventures accounted for using equity method(Note 6(10))	21	-	81	-
Income tax expense related to components of other comprehensive income that may be reclassified subsequently (Note 6(26))	-	-	(329)	-
Other comprehensive income (loss) for the year, net of income tax	10,899	1	(2,928)	-
Total Comprehensive Income (Loss) For The Year	$269,317	16	$268,253	18
Net Income Attributable To：				
Shareholders of the parent	$257,168	15	$265,670	18
Non-controlling interests	1,250	-	5,511	-
	$258,418	15	$271,181	18
Total Comprehensive Income (loss) Attributable To：				
Shareholders of the parent	$268,032	16	$262,742	18
Non-controlling interests	1,285	-	5,511	-
	$269,317	16	$268,253	18
Basic earnings per share (Note 6(27))	$4.84		$5.00	
Diluted earnings per share (Note 6(27))	$4.84		$5.00	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent									
	Capital Stock		Retained Earnings			Other Equity				
Items	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Foreign Currency Transation Reserve	Treasury Shares	Equity Attributable to Shareholders of the Parent	Non-controlling Interests	Total Equity
Balance at January 1, 2018	$446,780	$2,053,485	$47,250	$751	$318,257	($4,049)	($115,476)	$2,746,998	$58,722	$2,805,720
Effect of retrospective application	-	-	-	-	(2,248)	-	-	(2,248)	-	(2,248)
Adjusted balance at January 1, 2018	446,780	2,053,485	47,250	751	316,009	(4,049)	(115,476)	2,744,750	58,722	2,803,472
Appropriations of prior year's earnings										
Legal reserve	-	-	26,567	-	(26,567)	-	-	-	-	-
Special reserve	-	-	-	4,049	(4,049)	-	-	-	-	-
Cash dividends	-	-	-	-	(176,976)	-	-	(176,976)	-	(176,976)
Stock dividends	88,488	-	-	-	(88,488)	-	-	-	-	-
Reversal of special reserve	-	-	-	(751)	751	-	-	-	-	-
Adjustments to share of changes in equities of associates and joint ventures	-	(100)	-	-	-	-	-	(100)	-	(100)
Net income in 2018	-	-	-	-	257,168	-	-	257,168	1,250	258,418
Other comprehensive income (loss) in 2018	-	-	-	-	(197)	11,061	-	10,864	35	10,899
Total comprehensive income in 2018	-	-	-	-	256,971	11,061	-	268,032	1,285	269,317
Retirement of treasury shares	(4,340)	(26,132)	-	-	(85,004)	-	115,476	-	-	-
Share-based payment transactions	-	470	-	-	-	-	-	470	69	539
Increase in non-controlling interests	-	-	-	-	-	-	-	-	5,511	5,511
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,291)	(2,291)
Balance at December 31, 2018	$530,928	$2,027,723	$73,817	$4,049	$192,647	$7,012	$-	$2,836,176	$63,296	$2,899,472
Balance at January 1, 2017	$446,780	$2,052,669	$37,115	$751	$173,816	($1,605)	($115,476)	$2,594,050	$53,136	$2,647,186
Appropriations of prior year's earnings										
Legal reserve	-	-	10,135	-	(10,135)	-	-	-	-	-
Cash dividends	-	-	-	-	(110,610)	-	-	(110,610)	-	(110,610)
Adjustments to share of changes in equities of associates and joint ventures	-	387	-	-	-	-	-	387	-	387
Net income in 2017	-	-	-	-	265,670	-	-	265,670	5,511	271,181
Other comprehensive income (loss) in 2017	-	-	-	-	(484)	(2,444)	-	(2,928)	-	(2,928)
Total comprehensive income in 2017	-	-	-	-	265,186	(2,444)	-	262,742	5,511	268,253
Share-based payment transactions	-	429	-	-	-	-	-	429	75	504
Balance at December 31, 2017	$446,780	$2,053,485	$47,250	$751	$318,257	($4,049)	($115,476)	$2,746,998	$58,722	$2,805,720

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Items	2018	2017
Cash Flows From Operating Activities		
Income Before Income Tax	$321,127	$327,563
Adjustments for:		
The items of gains and losses:		
Depreciation	55,338	46,726
Amortization	38,393	35,713
Reversal of bad debts	-	(900)
Loss on financial assets at fair value through profit or loss	276	2,400
Interest expense	10,713	6,238
Interest income	(11,368)	(7,216)
Dividend income	-	(132)
Compensation cost of share-based payment transactions	539	504
Loss on investment in associates and joint ventures accounted for using equity method	2,697	1,238
Loss on disposal of property, plant and equipment	-	44
Unrealized currency exchange gains or loss	(13,886)	9,709
Total adjustments for the items of gains and losses	82,702	94,324
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	(233,239)	(90,192)
Decrease (increase) in notes and accounts receivable	(85,599)	86,496
Decrease (increase) in accounts receivable-related parties	-	25,681
Decrease (increase) in construction receipts receivable	(89,332)	(160,611)
Decrease (increase) in inventories	(10,901)	(38,772)
Decrease (increase) in prepayments	(2,803)	(128,572)
Decrease (increase) in other current assets	(25,090)	23,753
Decrease (increase) in other financial assets	-	92,637
Decrease (increase) in long-term notes and accounts receivable	-	(10,205)
Increase (decrease) in notes payable	(4,484)	(74,818)
Increase (decrease) in accounts payable	74,579	(38,750)
Increase (decrease) in construction receipts payable	(19,247)	87,806
Increase (decrease) in other payables	7,311	21,004
Increase (decrease) in other current liabilities	76,578	(1,680)
Increase (decrease) in net defined benefit liabilities-noncurrent	81	80
Net changes in operating assets and liabilities	(312,146)	(206,143)
Total adjustments	(229,444)	(111,819)
Cash generated from (used in) operations	91,683	215,744
Income taxes paid	(41,083)	(43,279)
Net cash provided by (used in) operating activities	50,600	172,465

(Continued)

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Items	2018	2017
Cash Flows From Investing Activities		
Acquisitions of financial assets at fair value through profit or loss-noncurrent	(114,048)	-
Acquisitions of financial assets at amortized cost-current	(66,305)	-
Acquisitions of financial assets at amortized cost-noncurrent	(2,817)	-
Proceeds from debt investments with no active market	-	328,252
Acqusitions of investments accounted for using equity method	-	(2,679)
Acquisitions of property, plant and equipment	(166,438)	(77,210)
Decrease (increase) in refundable deposits	(926)	(1,665)
Acqusitions of intangible assets	(72,875)	(9,558)
Decrease (increase) in other non-current assets	(3,270)	(80,264)
Decrease (increase) in prepayments for equipment	-	831
Interest received	11,092	7,184
Dividend received	-	132
Net cash generated from (used in) investing activities	(415,587)	165,023
Cash Flows From Financing Activities		
Increase (decrease) in short-term bank loans	-	(20,000)
Proceeds from long-term bank loans	520,000	50,000
Repayments of long-term bank loans	(32,780)	(19,847)
Cash dividends paid	(176,976)	(110,610)
Interest paid	(10,549)	(6,190)
Cash dividend paid to noncontrolling interests	(2,291)	-
Increase (decrease) in noncontrolling interests	5,511	-
Net cash (used in) provided by financing activities	302,915	(106,647)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	11,774	(2,415)
Net Increase (Decrease) in Cash and Cash Equivalents	(50,298)	228,426
Cash and Cash Equivalents, Beginning of Year	710,647	482,221
Cash and Cash Equivalents, End of Year	$660,349	$710,647

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, 2018 AND 2017

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

1. GENERAL

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 12, 2019.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have a significant effect on the Group's accounting policies:

A. IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information to the relevant accounting policies.

Classification, measurement and impairment of financial assets

Basis on the facts and circumstances on January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The impact on measurement categories, carrying amount and related reconciliation for each class of the Group's financial assets when applying IAS 39 and retrospectively applying IFRS 9 on January 1, 2018 is detailed below:

Financial Assets	Carrying Amount as of December 31, 2017 (IAS 39)	Adjustments Arising from Initial Application	Retained Earnings Effect on January 1,2018	Adjusted Carrying Amount as of January 1, 2018 (IFRS 9)	Note
Debt investments with no active market-current	$ 196,066	$ (196,066)	$ -	$ -	(1)
Financial assets at amortized cost-current	-	230,891	-	230,891	(1)
Other financial assets-current	34,825	(34,825)	-	-	(1)
Held-to-maturity financial assets-noncurrent	35,570	(35,570)	-	-	(1)
Financial assets at amortized cost-noncurrent	-	56,728	-	56,728	(1)
Other financial assets-noncurrent	21,158	(21,158)	-	-	(1)
Financial assets carried at cost - noncurrent	17,856	(17,856)	-	-	(2)
Financial assets at fair value through profit or loss-noncurrent	-	17,856	(2,248)	15,608	(2)
Total effect on assets	$ 305,475	$ -	$ (2,248)	$ 303,227	

a. Financial assets previously classified as debt investments with no active market, held-to-maturity financial assets and other financial assets under IAS 39 are classified as measured at amortized cost under IFRS 9, since these investments are held within a business model whose objective is to collect the contractual cash flow.

b. Non-publicly traded stocks previously measured at cost under IAS 39 are re-measured at fair value under IFRS 9 and the adjustments would result a decrease in retained earnings of NT$2,248 thousand on January 1, 2018.

B. IFRS 15, “Revenue from Contracts with Customers” and related amendments

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. Refer to Note 4 for information relating to the relevant accounting policies.

C. IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

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

As of January 1, 2018, the group defer adoption of IFRIC 22.

(2) <u>The IFRSs endorsed by FSC with effective date starting 2019</u>

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

A. IFRS 16 “Leases”

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

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

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

The Group expects to apply the following practical expedients:

a. The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b. The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

Impact on assets, liabilities and equity on January 1, 2019

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use asset-noncurrent	$ -	$ 378,410	$ 378,410
Total effect on assets	$ -	$ 378,410	$ 378,410
Lease liability-current	$ -	$ 38,990	$ 38,990
Lease liability-noncurrent	-	339,420	339,420
Total effect on liabilities	$ -	$ 378,410	$ 378,410

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
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 17 “Insurance Contracts”	January 1, 2021

The Group believes that the adoption of aforementioned standards or interpretations will not have a significant effect on the Group’s accounting policies in the future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

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

(2) Basis of Preparation

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

The Group applied the IFRS 9 and IFRS 15 for the first time on January 1, 2018, and the retroactive conversation difference was recognized as a retained earnings on January 1, 2018, and didn’t restate the financial statements and notes of 2017, which were prepared in accordance with IAS 39, IAS 11, IAS 18 and its interpretations.

(3) Basis of Consolidation

A. Basis for preparation of consolidated financial statements

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

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

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

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

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

B. 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, 2018	Percentage of Ownership December 31, 2017	Note
Brogent Technologies Inc.	Brogent Mechanical Inc.	Manufacture and sales of the simulator rides and related key components	May, 2015 Taoyuan City	61.11%	61.11%	1
	Brogent Creative Inc.	Development and sales of simulator rides and related peripheral products	April, 2015 Kaohsiung City	60.00%	60.00%	
	Brogent Hong Kong Limited	Reinvestment and trading business	June, 2015 Hong Kong	100%	100%	
	Brogent Global Inc.	Development and management business of self-operated outlets	September, 2015 Kaohsiung City	100%	100%	
	Dili Jie Holdings Limited	Reinvestment and trading business	March, 2018 British Virgin Islands	100%	-	
Dili Jie Holdings Limited	Jetway Holdings Limited	Reinvestment and trading business	May, 2018 Cayman Islands	100%	-	
Jetway Holdings Limited	Garley Holdings Limited	Reinvestment and trading business	July, 2018 British Virgin Islands	100%	-	
	Holey Holdings Limited	Reinvestment and trading business	November, 2018 British Virgin Islands	100%	-	
Garley Holdings Limited	Brogent Rides (Shanghai) Limited	Import and export business	July, 2015 Shanghai	57.53%	-	2
Brogent Hong Kong Limited	Brogent Rides (Shanghai) Limited	Import and export business	July, 2015 Shanghai	42.47%	100%	2
	hexaRide the first LLP	Development and management business of self-operated outlets	September, 2018 Tokyo	86.67%	-	
Brogent Rides (Shanghai) Limited	Brogent Creative (Shanghai) Limited	Development and management business of self-operated outlets	September, 2015 Shanghai	100%	100%	

Note 1: The 2018 and 2017 financial statements of Brogent Mechanical Inc. are audited by the other auditors.

Note2:The group reorganized on July 18, 2018. Garley Holdings Limited invest USD4,200 thousand in Brogent Rides (Shanghai) Limited with 57.53% ownership in July 2018.

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 arise when monetary items are settled or when monetary items are translated at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

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

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

(5) Classification of Current and Noncurrent Assets and Liabilities

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

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

(6) Cash Equivalents

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

(7) Inventories

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

(8) Construction Contracts

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

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

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

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

(9) Investments Accounted for Using Equity Method

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

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

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

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

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

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

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

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

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

(10) Property, Plant and Equipment

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

Depreciation is computed using the straight-line method over the following estimated useful lives: buildings – 5 to 50 years; machinery and equipment – 3 to 10 years; transportation equipment – 5 years; office equipment – 3 to 6 years; and other equipment – 3 to 15 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each financial year, with the effect of any changes in estimates accounted for on a prospective basis.

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

(11) Intangible Assets

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

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

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

(12) Impairment of Tangible and Intangible Assets

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

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

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

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

(13) <u>Provisions</u>

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

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

(14) <u>Employee Benefits</u>

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

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

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

Re-measurement 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) <u>Financial Instruments</u>

<u>2018</u>

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 the transaction costs that are fair value added 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). The transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss is recognized immediately in profit or loss.

Financial assets are classified as "Financial assets at fair value through profit or loss," "Investment in debt instruments and equity instruments at fair value through other comprehensive income" and "Financial assets at amortized cost":

A. Financial Assets

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

a. Measurement category

Financial asset that the group hold are financial assets at fair value through profit or loss and financial assets at amortized cost.

i. Financial assets at fair value through profit or loss

For certain financial assets which include debt instrument that do not meet the criteria of amortized cost or fair value through other comprehensive income, it is mandatorily required to measure them at fair value through profit and loss.

Financial assets at fair value through profit and loss are measured at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Please refer to Note 12(1) for the method of determining the fair value.

ii. Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met.

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Subsequent to initial recognition, financial assets measured at amortized cost, including cash and cash equivalents, notes and accounts receivable (including related parties) and other receivables (including related parties) are measured at amortized cost, which equals to carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents including the time deposits which are meeting short-time cash commitments highly liquid and readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value.

b. Impairment of financial assets

At the end of each reporting period, the Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For all other financial assets, the Group evaluates whether the credit risk has increased significantly since initial recognition. When the credit risk has not increased significantly, a loss allowance is recognized at an amount equal to expected credit loss within 12 months. If, on the other hand, there has been a significant increase in credit risk, a loss allowance is recognized at an amount equal to lifetime expected credit loss.

The expected credit loss is the weighted average credit loss weighted by the risk of default. The expected credit loss within 12 months is the expected credit loss resulting from possible default events of a financial instrument within 12 months after reporting date. The lifetime expected credit loss is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group recognizes an impairment loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

c. Derecognition of financial assets

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

When derecognizing a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received, receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

B. Financial Liabilities and Equity Instruments

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.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities are measured at amortized cost using the effective interest method except that financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss.

2017

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.

A. Financial Assets

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

Financial assets are classified as "Financial assets at fair value through profit or loss," "Debt investments with no active market," or "Loans and receivables" by nature.

a. Financial assets at fair value through profit or loss

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

b. 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.

c. Loans and receivables

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

d. Impairment of financial assets

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

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

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

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

e. Derecognition of financial assets

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

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

B. Financial Liabilities and Equity Instruments

a. Classification as debt or equity

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

b. Equity instruments

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

c. Financial liabilities

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

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

d. Derecognition of financial liabilities

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

(16) Share-based Payment

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

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

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

(18) Income Tax

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

A. Current tax

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

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

B. Deferred tax

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

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

C. Others

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

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

(19) Government Grants

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

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

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

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

(20) Revenue Recognition

2018

A. Revenue from Contracts with Customers

The Company recognizes revenue from contracts with customers by applying the following steps of IFRS 15:
(1) Identify the contract with the customer;
(2) Identify the performance obligations in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in the contract; and
(5) Recognize revenue when or as the entity satisfies a performance obligation.

B. Interest Income

For financial asset at amortized cost and financial assets at fair value through profit or loss, interest income is recorded using the effective interest method and is recognized in profit or loss.

2017

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.

(21) Earnings Per Share

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

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

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

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

(1) Allowance for bad debts on receivables

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

(2) Valuation of Inventory

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

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

(3) Impairment of Tangible and Intangible Assets

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

(4) Realization of Deferred Income Tax Assets

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

(5) Share-based Payment

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

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

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

A. The amount of income can be reliably measured.

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

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

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

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

(7) Changed The Useful Life of Depreciation Assets

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31, 2018		December 31, 2017	
Cash	$	974	$	905
Checking accounts		5,608		53
Demand deposits		399,887		296,821
Foreign currency demand deposits		121,663		54,844
Cash equivalents		132,217		358,024
Total	$	660,349	$	710,647

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

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

	December 31, 2018		December 31, 2017	
Beneficiary certificates	$	454,631	$	226,727
Publicly traded stocks		-		4,240
Non-publicly traded stocks		138,955		-
	$	593,586	$	230,967
Current portion	$	459,056	$	230,967
Noncurrent portion		134,530		-
	$	593,586	$	230,967

A. As of December 31, 2017, financial assets were classified as financial assets carried at cost-noncurrent under IAS 39. Please refer to Note 3 and Note 6(9) for information relating to their reclassification and comparative information for 2017..

B. The Group adopted IFRS 9 on January 1, 2018 and elected not to restate prior reporting periods in accordance with transition provision

(3) Financial Assets at Amortized Cost

	December 31, 2018
Time deposits	$ 190,788
Pledged time deposits	134,051
Restricted assets-reserve account	4,000
Non-publicly traded stock-preferred shares	35,200
	$ 364,039
Current portion	$ 304,864
Noncurrent portion	59,175
	$ 364,039

A. As of December 31, 2017, financial assets were classified as debt investments with no active market, held-to-maturity financial assets-noncurrent and other financial assets under IAS 39. Please refer to Note 3 and Notes 6(4), 6(8), 6(13) and Note 8 for information relating to their reclassification and comparative information for 2017..

B. The Group adopted IFRS 9 on January 1, 2018 and elected not to restate prior reporting periods in accordance with transition provision.

(4) Debt Investments with No Active Market

	December 31, 2017
Time deposits	$ 196,066

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

B. As of December 31, 2017, none of the financial assets were classified as debt investments with no active market under IAS 39 were pledged.

(5) Accounts Receivables and Long-term Accounts Receivables

	December 31, 2018	December 31, 2017
Accounts receivable-current	$ 326,577	$ 225,968
Less：Allowance for doubtful receivables	-	-
Accounts receivable, net	$ 326,577	$ 225,968

	December 31, 2018	December 31, 2017
Long-term accounts receivable	$ 18,599	$ 28,215
Less：Allowance for doubtful receivables	(18,599)	(18,559)
Long-term accounts receivable, net	$ -	$ 9,656

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

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

Aging analysis of accounts receivable

	December 31, 2018	December 31, 2017
Neither past due nor impaired	$ 126,349	$ 125,173
Past due but not impaired		
within 30 days	301	704
31-90 days	15,646	2,313
91-180 days	29,092	2,040
over 181 days	155,189	105,394
Total	$ 326,577	$ 235,624

Movements of the allowance for doubtful receivables

	2018	2017
Balance at January 1	$ (18,559)	$ (19,544)
Amount written off during the year	-	85
Balance transfer to revenue during the year	-	900
Balance at December 31	$ (18,559)	$ (18,559)

(6) Construction Receipts Receivable (Payable)

	December 31, 2018	December 31, 2017
Aggregate costs incurred plus recognized profits	$ 1,839,233	$ 1,466,281
Less：Progress billings	(1,384,174)	(1,119,801)
Net balance sheet position for construction in progress	$ 455,059	$ 346,480

Presented as:

Construction Receipts Receivable	$ 529,353	$ 440,021
Construction Receipts Payable	(74,294)	(93,541)
	$ 455,059	$ 346,480

(7) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 264	$ 260
Supplies	90,726	59,392
Work in process	8,903	13,626
Finished goods	5,373	2,558
Simulator ride materials	91,500	110,809
Merchandise	3,250	2,470
Less：Allowance for losses	-	-
Total	$ 200,016	$ 189,115

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

Held-to-maturity Financial Assets-noncurrent	December 31, 2017
Non-publicly traded stocks - Preferred shares	$ 35,570

A. Preferred shares are financial assets with fixed or determinable payments and fixed maturity dates, and that the Group has the positive intent and ability to hold to maturity.

B. As of December 31, 2017, none of the financial assets were classified as held-to-maturity financial assets under IAS 39 were pledged.

(9) Financial Assets Carried at Cost-noncurrent

Financial Assets Carried at Cost	December 31, 2017
Non-publicly traded equity instruments	$ 17,856

A. 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.

B. As of December 31, 2017, none of the financial assets were classified as financial assets carried at cost under IAS 39 were pledged.

(10) Investments Accounted for Using Equity Method

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

			Carrying Amount		% of Ownership and Voting Rights Held by the Group	
Name of Associate	Principal Activities	Place of Incorporation and Operation	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Brogent Japan Entertainment Corporation	Development and sales of simulator rides and related peripheral products in Japan	August 2016 Tokyo, Japan	$ 5,772	$ 8,061	40%	40%

	2018	2017
Net Income (Loss)	$ (2,697)	$ (1,238)
Other comprehensive income (loss) for the year, net of income tax	$ 21	$ 81
Total Comprehensive Income (Loss) For The Year	$ (2,676)	$ (1,157)

(11) Property, Plant and Equipment

2018	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
Cost								
Balance at January 1	$139,868	$633,590	$18,954	$1,199	$40,992	$72,421	$175,343	$1,082,367
Additions	-	22,540	170	679	8,791	50,174	88,002	170,356
Disposals	-	(400)	(5,823)	-	(15,729)	(1,161)	-	(23,113)
Reclassifications	-	11,776	-	-	-	39,603	(51,379)	-
Balance at December 31	139,868	667,506	13,301	1,878	34,054	161,037	211,966	1,229,610
Accumulated Depreciation and Impairment								
Balance at January 1	-	69,192	10,687	525	26,684	23,838	-	130,926
Depreciation	-	25,957	2,712	270	8,288	18,111	-	55,338
Disposals	-	(400)	(5,823)	-	(15,729)	(1,161)	-	(23,113)
Balance at December 31	-	94,749	7,576	795	19,243	40,788	-	163,151
Balance at December 31, net	$139,868	$572,757	$5,725	$1,083	$14,811	$120,249	$211,966	$1,066,459
Balance at January 1, net	$139,868	$564,398	$8,267	$674	$14,308	$48,583	$175,343	$951,441

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

A. As of December 31, 2018, the company has reclassified equipment under installation and construction in progress from prepayment for the amount of NT$114,470 thousand. And the Group has decided to transfer the materials for self-use after assembly test at the right place.

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

C. Part of the land owns by Brogent Mechanical Inc. which locates in Zhongshan Rd., Xinwu Dist., Taoyuan City is used solely for farming purpose. In accordance with the regulations, the farmland is owned and registered in the name of an individual. However, Brogent Mechanical Inc. has obtained the agreement of the counterparty that at any time as the request of Brogent Mechanical Inc., the counterparty shall change the registration of the land to Brogent Mechanical Inc. or other person designated by Brogent Mechanical Inc., without any consideration. As of December 31, 2018, the farmland amounting to NT$2,202 thousand was mainly used for plants, was accounted for 1.6% of the total land areas of the Group.

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

(12) Intangible Assets

	2018				
	Computer Software	Patent	Franchise	Profit sharing right	Total
Cost					
Balance at January 1	$ 66,518	$ 627	$ 14,600	$ 113,037	$ 194,782
Additions	81,218	2,655	960	-	84,833
Disposals	(13,137)	(8)	-	-	(13,145)
Balance at December 31	134,599	3,274	15,560	113,037	266,470
Accumulated amortization and impairment					
Balance at January 1	43,595	160	9,205	21,665	74,625
Amortization	22,111	165	4,813	11,304	38,393
Disposals	(13,137)	(8)	-	-	(13,145)
Balance at December 31	52,569	317	14,018	32,969	99,873
Balance at December 31, net	$ 82,030	$ 2,957	$ 1,542	$ 80,068	$ 166,597
Balance at January 1, net	$ 22,923	$ 467	$ 5,395	$ 91,372	$ 120,157

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

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

Since February 2016, profit sharing right was amortized on an average basis over simulation entertainment equipment's estimated useful life of 10 years. Refer to Note 6(23) for the details note disclosure on profit sharing right, and Notes 9(5) and 9(6) for details note disclosure in relation to the related contract commitments.

(13) Other Current and Noncurrent Assets

	December 31, 2018	December 31, 2017
Other financial assets	$ -	$ 55,983
Tax refund receivable	9,142	356
Other prepayment-noncurrent	85,079	91,180
Others	22,006	6,426
Total	$ 116,227	$ 153,945

	December 31, 2018	December 31, 2017
Current portion	$ 31,148	$ 41,607
Noncurrent portion	85,079	112,338
Total	$ 116,227	$ 153,945

As of December 31, 2017, please refer to Note 8 for details disclosure for topics of pledged financial assets were classified as other current and noncurrent assets under IAS 39.

(14) Other Payables

	December 31, 2018	December 31, 2017
Accrued payroll	$ 78,306	$ 69,289
Payables on equipment	7,309	805
Accrued insurance	2,981	2,337
Accrued professional fee	2,031	1,388
Accrued pension	908	1,159
Others	18,545	21,123
Total	$ 110,080	$ 96,101

(15) Long-term Bank Loans

	December 31, 2018	December 31, 2017
Secured Loans		
Taiwan Cooperative Bank：		
Loan period from April 2016 to October 2031; monthly repayment of interest at an annual rate of 1.57%~1.82% effective in April 2016, with monthly repayment of principal.	$ 202,984	$ 217,050
Loan period from March 2018 to March 2025; monthly repayment of interest at an annual rate of 1.68%~1.80% effective in April 2019, with monthly repayment of principal.	500,000	-
CTBC Bank：		
Loan period from January 2016 to January 2032; monthly payment of interest at an annual rate of 1.94% ~2.00% effective in April 2017, with quarterly repayment of principal.	106,000	114,000
Loan period from November 2017 to November 2020; monthly payment of interest at an annual rate of 1.908% effective in September 2018, with half-yearly repayment of principal.	45,000	50,000
JihSun Bank：		
Loan period from April 2018 to April 2020; monthly payment of interest at an annual rate of 1.89% effective in July 2018, with quarterly repayment of principal.	14,286	-
	868,270	381,050
Less：Current portion	(108,927)	(38,576)
Noncurrent liabilities	$ 759,343	$ 342,474

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

(16) Pensions

	2018	2017
Defined benefit pension costs	$ 322	$ 319
Defined contribution pensions	8,100	7,714
Total	$ 8,422	$ 8,033

A. The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company makes monthly contributions to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is insufficient to pay-off retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds. As of December 31, 2018 and 2017, the Company's pension account balance was NT$1,783 thousand and NT$1,487 thousand, respectively.

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$ 9,959	$ 9,331
Fair value of plan assets	(1,794)	(1,496)
Accrued pension liabilities	$ 8,165	$ 7,835

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, 2018	$ 9,331	$ (1,496)	$ 7,835
Service cost	206	-	206
Net interest expense (income)	140	(25)	115
Recognized in profit or loss	346	(25)	321
Re-measurement			
Actuarial loss (gain) of return on plan assets	-	(33)	(33)
Actuarial loss (gain) from changes in financial assumptions	343	-	343
Actuarial loss (gain) from experience adjustments	(61)	-	(61)
Recognized in other comprehensive income	282	(33)	249
Contributions by the Company	-	(240)	(240)
Balance at December 31, 2018	$ 9,959	$ (1,794)	$ 8,165

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

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

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

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

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

D. Actuarial assumptions:

	December 31, 2018	December 31, 2017
Discount rate	1.25%	1.50%
Future salary increase rate	2.00%	2.00%

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

	December 31, 2018	December 31, 2017
Discount rate		
0.25% increase	$ (343)	$ (332)
0.25% decrease	$ 358	$ 346
Future salary increase rate		
1% increase	$ 1,501	$ 1,452
1% decrease	$ (1,300)	$ (1,255)

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, 2018	December 31, 2017
The expected contributions to the plan for the next year	$ 240	$ 240
The average duration	16.5years	17years

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

(17) Capital Stock

	December 31, 2018	December 31, 2017
Authorized capital	$ 900,000	$ 500,000
Issued capital	$ 530,928	$ 446,780

As of December 31, 2018, the authorized shares were 90,000 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 53,093 thousand shares as of the date of the consolidated financial statements.

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

On May 29, 2018, the general shareholders' meeting resolved to increase the capital with retained earnings of NT$88,488 thousand, including NT$14,060 thousand for the private placement. The aforementioned issuance of new shares had already been registered on July 3, 2018, and the record date determined by the resolution of the Board of Directors which authorized by the shareholder's meeting was July 18, 2018.

(18) <u>Additional Paid-in Capital</u>

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) <u>Retained Earnings and Dividend Policy</u>

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

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

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

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

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

D. The appropriations of earnings for 2017 had been resolved at the shareholders' meeting on May 29, 2018. The appropriations were as follows:

	2017			
	Amount		Dividends Per Share (NT$)	
Legal reserve	$	26,567		
Special reserve		4,049		
Cash dividends		176,976	$	4.00
Stock dividend		88,488		2.00
Total	$	296,080		

E. The appropriations of earnings for 2018 had been approved in the meeting of the Board of Directors held on March 12, 2019 and are to be presented for approval in the shareholders' meeting. The appropriations were as follows:

	2018			
	Amount		Dividends Per Share (NT$)	
Legal reserve	$	16,992		
Cash dividends		179,454	$	3.38
Cash dividends of Pain-in capital		32,918		0.62
Stock dividends of Pain-in capital		26,546		0.50
Total	$	255,910		

(20) Treasury Shares

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

Since the company held 434 thousand shares for three years without transfer to employees till September 1, 2018, the Board of Directors resolved to retire all of them according to the R.O.C. Company Law. The Board of Directors determined the reduction date as at September 1, 2018. The company reduce NT$4,340 thousand of common stock by per value NT$10 per share, and by the proportion of capital reduction, the capital surplus-additional paid-in capital, capital surplus-from convertible bonds and capital surplus-from treasury shares had decreased by NT$14,545 thousand, NT$2,021 thousand and NT$9,566 thousand, respectively. Besides, the difference amounts between the aforementioned decrease amounts and the purchase cost of the treasury shares of NT$115,476 thousand was offset by the retained earnings of NT$85,004 thousand. The aforementioned retirement of treasury shares had already been registered on September 20, 2018.

No treasury shares transactions were occurred for the years ended December 31, 2018 and 2017.

(21) Non-controlling Interests

	2018	2017
Beginning balance	$ 58,722	$ 53,136
Attributable-to non-controlling interests :		
Net income in 2018	1,250	5,511
Other comprehensive income (loss) in 2018	35	-
The consideration paid from acquiring subsidiaries	5,511	-
Cash dividends received by non-controlling interests	(2,291)	-
Share-based payment transactions	69	75
Ending balance	$ 63,296	$ 58,722

(22) Share-based Payment

A.Brogent Global Inc.

(1) As of 31 December, 2018, Brogent Global Inc. has issued the following employee share options:

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

(2) Due to the above issued employee stock option, Brogent Global Inc. has recognized its employee share options as an operating expense, with related additional paid-in capital

amounting for the ended December 31, 2018 and 2017 at NT$361 and NT$310 thousand, respectively.

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

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

B. Brogent Mechanical Inc.

(1) As of 31 December, 2018, Brogent Mechanical Inc. has issued the following employee share option:

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

(2) Due to the above issued employee stock option, Brogent Mechanical Inc. has recognized its employee share options as an operating expense, with related additional paid-in capital amounting for the ended December 31, 2018 and 2017 at NT$178 and NT$194 thousand, respectively.

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

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

(23) Net Revenue

Items	2018		2017	
Construction contract revenue	$	1,588,776	$	1,436,045
Service and maintenance revenue		16,580		56,074
Sales revenue		10,406		3,889
Profit sharing of ticket sales		21,676		18,461
Total	$	1,637,438	$	1,514,469

(24) <u>Other Gains and Losses</u>

	2018	2017
Gain (loss) on financial assets at fair value through profit or loss	$ 2,408	$ (2,400)
Net currency exchange gain (loss)	11,047	(46,404)
Loss on disposal of property, plant and equipment	-	(44)
Other gains	21,686	36,445
Other losses	(1,484)	(508)
Total	$ 33,657	$ (12,911)

(25) <u>Additional Information of Expenses by Nature</u>

Items	2018 Cost of Revenue	2018 Operating Expenses	2018 Total
Employee benefit expense			
Salaries and wages	$ 36,422	$ 178,417	$ 214,839
Labor/Health insurance expenses	3,810	11,846	15,656
Pension costs	2,074	6,348	8,422
Other employee benefit expenses	1,991	10,782	12,773
Total	$ 44,297	$ 207,393	$ 251,690
Depreciation expense	$ 13,460	$ 41,878	$ 55,338
Amortization expense	$ 25,048	$ 13,345	$ 38,393

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

As of December 31, 2018 and 2017, the number of the Company's employees was 314 and 217, respectively. The headcount is consistent with the calculation basis of employee benefit expense recognized above.

The accrued amounts of employees' compensation and directors' and supervisors' remuneration for 2018 and 2017 based on income before employees' compensation and directors' and supervisors' were estimated by a pre-determined ratio. The board of directors has decided to issue compensation of employees and remuneration of directors and supervisors amounting to NT$28,268 thousand and NT$5,976 thousand on March 12, 2019, and NT$28,115 thousand and NT$5,907 thousand on March 12, 2018, for year ended December 31, 2018 and 2017, respectively. There is no material difference between the aforesaid amounts to be allocated and the amount has been respectively recognized as expenses in the year incurred.

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

(26) Income Tax

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

	2018	2017
Current tax:		
Current tax on profits for the period	$ 61,900	$ 52,975
Additional income tax on unappropriated earnings	-	49
Current adjustments on prior years tax estimation	(3,562)	(1,186)
Total current tax	58,338	51,838
Deferred tax:		
The origination and reversal of temporary differences	7,787	4,544
Effect of tax rate changes	(3,410)	-
Unused income tax credits carryforwards	(6)	-
Total deferred tax	4,371	4,544
Income tax expense	$ 62,709	$ 56,382

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

	2018	2017
Income before income tax	$ 321,127	$ 327,563
Income tax expense at the statutory rate	$ 67,161	$ 62,202
Tax-exempt income and non- exempt expense in taxable purposes		
Tax-exempt income	789	(1,342)
Non- exempt expense	2,323	300
Movement of unrecognized temporary differences	(2,835)	(320)
Unrecognized loss carryforwards	184	141
Loss carryforwards	(50)	(3,462)
Income tax adjustments on prior years	(3,512)	(1,186)
Additional income tax on unappropriated earnings	236	49
Effect of tax rate changes	(1,126)	-
Other income tax adjustments	(461)	-
Income tax expense recognized in profit or loss	$ 62,709	$ 56,382

According to the Income Tax Act revised in January 2018, income tax ratio for profit-seeking enterprise has been adjusted from 17% to 20%. In addition, additional income tax ratio on unappropriated earnings has been adjusted from 10% to 5%.

B. Income tax expense recognized in other comprehensive income:

	2018	2017
Deferred income tax expense (benefit)		
Re-measurement of defined benefit plans	$ (50)	$ (99)
Exchange differences arising on translation of foreign operations	-	329
Effect of tax rate changes	(2)	
	$ (52)	$ 230

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

	2018				
	January 1,2018	Recognize in profit or loss	Recognize in other comprehensive profit or loss	Foreign exchange adjustments	December 31,2018
Temporary differences					
Unrealized defined benefit pensions	$ 508	$ 106	$ -	$ -	$ 614
Loss on valuation of accounts receivable	926	(926)	-	-	-
Unrealized exchange loss (gains)	2,446	(1,474)	-	-	972
Unrealized gain on financial instruments	-	343	-	-	343
Unrealized depreciation expense	1,642	260	-	-	1,902
Unrealized gain from sale	-	16	-	-	16
Unrealized warranty expense	855	(36)	-	-	819
Re-measurement of defined benefit plans	14	-	52	-	66
Non-leaving pay	-	26	-	-	26
Deferred revenue	-	2,561	-	-	2,561
Allowance for doubtful accounts	-	2,855	-	-	2,855
Others	1	(1)	-	-	-
Loss carryforward	-	2,492	-	(48)	2,444
Deferred income tax assets	$ 6,392	$ 6,222	$ 52	$ (48)	$ 12,618
Deferred net profit	$ (5,730)	$ (10,199)	$ -	$ 315	$ (15,614)
Unrealized exchange loss (gains)	-	(18)	-	-	(18)
Unrealized gain on financial instruments	-	(376)	-	-	(376)
Deferred income tax liabilities	$ (5,730)	$ (10,593)	$ -	$ 315	$ (16,008)

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

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

	December 31,2018	December 31,2017
Deductible temporary difference from investment using the equity method	$ 1,235	$ 4,197
Other deductible temporary difference	-	14,174
	$ 1,235	$ 18,371

E. Unused loss carryforwards as follow:

<u>In Taiwan area</u>:

December 31,2018			
Year Incurred	Audited/Declared amount	Unused Creditable Amount	Usable Until Year
2018	Estimated amount	$ 793	2028

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

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

	December 31,2018	December 31,2017
Taxable temporary difference from investment using the equity method	$ 75,385	$ 52,997

G. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

(27) Earnings per Share

	2018	2017
Basic earnings per share	$ 4.84	$ 5.00
Diluted earnings per share	$ 4.84	$ 5.00

Earnings per share is computed as follows:

	Amount (In Thousands)	Number of Shares (In Thousands)	Earnings Per Share (NT$)
2018			
Basic earnings per share			
Net income attributable to common shareholders of the parent	$ 257,168	53,093	$ 4.84
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)	$ 257,168	53,093	$ 4.84
2017			
Basic earnings per share			
Net income attributable to common shareholders of the parent	$ 265,670	53,093	$ 5.00
Effect of dilutive potential common shares	-	-	
Diluted earnings per share			
Net income attributable to common shareholders of the parent (including effect of dilutive potential common shares)	$ 265,670	53,093	$ 5.00

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:

(2) Related party name and categories:

Related Party Name	Related Party Categories
KODANSHA TAIWAN MEDIA GROUP CO., LTD.	Associates
KODANSHA LTD.	Associates

(3) Significant transactions with related parties

A. Other related parties transactions

Financial Statement Items	Type of Related Parties	2018	2017
Lease revenue	Entities with significant influence over the subsidiary	$ 144	$ 144
Administrative expenses	Entities with significant influence over the subsidiary	$ 829	$ -

The transaction prices and collection conditions between the Group and its related parties are subject to the usual market level. But the transactions without similar classification, prices and terms are determined independently in accordance with terms mutually agreed by both parties.

(4) Key management compensation was as follows:

	2018	2017
Short-term employee benefits	$ 17,273	$ 19,274
Post-employment benefits	538	535
Total	$ 17,811	$ 19,809

8、PLEDGED ASSETS

Pledged Assets	December 31, 2018	December 31, 2017	Purpose
Financial assets at amortized cost-current (Pledged time deposits)	$ 110,076	$ -	Construction performance guarantee and warranty
Other financial assets-current (Pledged time deposits)	-	34,825	Construction performance guarantee and warranty
Financial assets at amortized cost-noncurrent (Pledged time deposits)	23,975	-	Lease development guarantee
Financial assets at amortized cost-noncurrent (Restricted assets-reserve account)	4,000	-	Long-term loans
Other financial assets-noncurrent (Pledged time deposits)	-	15,000	Lease development guarantee and construction performance guarantee
Other financial assets-current (Restricted assets-reserve account)	-	6,158	Construction performance guarantee
Land	139,868	139,868	Long-term loans
Buildings	532,443	433,379	Long-term loans
Total book value	$ 810,362	$ 629,230	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2018 and 2017, the Group had outstanding notes payable for the purpose of construction performance guarantee and warranty amounting to NT$15,468 thousand.

(2) As of December 31, 2018 and 2017, the Group had outstanding notes payable for the purpose of research and development guarantee amounting to NT$36,000 thousand.

(3) As of December 31, 2018 and 2017, the Group had outstanding refundable deposits for the purpose of construction performance guarantee and warranty amounting to NT$290,313 thousand and NT$66,519 thousand, respectively.

(4) Significant Operating Lease Arrangements

In order to raise up the technical level, corporate image, and focus on research and development resources in response to future continual growth, the Company has increased its capacity to achieve the goal of sustainable management. The Company leased 1.85 hectares of land from the Kaohsiung Software Technology Park to establish the Operations Research and Development Center on February 29, 2012. The lease has a period of 20 years, beginning from March 14, 2012 to March 13, 2032, and the lease agreements can be renewed upon expiration. As of December 31, 2018, the Company had pledged time deposits for the purpose of lease development guarantee amounting to NT$15,000 thousand. The lease payments recognized in 2018 and 2017 were NT$9,549 thousand and NT$8,805 thousand, respectively.

Notified by Kaohsiung City Government, the monthly lease fee for land has been adjusted from NT$ 50 to NT$ 68.75 per square meter starting on February 1, 2016. However, in order to improve the investment in Export Processing Zone, to create high-quality industrial environment and to reduce the impact from the increase of assessed present value of the land announced in 2016, the Zone Administration has introduced a lease fee relief program for the period from January 1 to December 31, 2017. Accordingly, the monthly lease fee of land has been adjusted from NT$ 68.75 to NT$ 53.76 per square meter. Since 2018, the land rent has been reviewed with the announcement of the land price which had increased according to the long-term land rent calculation plan of Export Processing Zoned and the monthly lease fee of land remain NT$ 53.76 per square meter in 2018 and 2019.

The future aggregated minimum lease payments are as follows:

Years Range on the Lease	December 31, 2018	December 31, 2017
Within 1 year	$ 48,570	$ 12,211
Over 1 year and not later than 5 years	193,252	60,441
Later than 5 years	183,385	140,455
Total	$ 425,207	$ 213,107

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

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

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None

12. OTHERS

(1) Financial Instruments

A. Categories of financial instruments

Financial Assets		December 31, 2018		December 31, 2017
Cash and cash equivalents	$	660,349	$	710,647
Financial assets at fair value through profit or loss -current		459,056		230,967
Financial assets at amortized cost-current		304,864		-
Debt investments with no active market-current		-		196,066
Accounts and notes receivable		326,625		225,968
Other receivables		9,142		2,721
Financial assets at fair value through profit or loss -noncurrent		134,530		-
Held-to-maturity financial assets-noncurrent		-		35,570
Financial assets at amortized cost-noncurrent		59,175		-
Financial assets carried at cost-noncurrent		-		17,856
Refundable deposits		11,719		9,794
Other financial assets		-		55,983
Long-term receivables		-		9,656
Total	$	1,965,460	$	1,495,228

Financial Liabilities		December 31, 2018		December 31, 2017
Accounts and notes payable	$	121,018	$	50,923
Other payables		110,080		96,101
Long-term bank loans (including current portion)		868,270		381,050
Total	$	1,099,368	$	528,074

B. Financial risk management objectives

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

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

C. Market risk

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

(a) Foreign currency risk

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

The Group's sensitivity analysis to foreign currency risk is mainly focused on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable (or favorable) 10% movement in the levels of the United States dollar against the New Taiwan dollar, the net income for the years ended December 31, 2018 and 2017 would have decreased (or increased) by NT$216,614 thousand and NT$210,139 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, 2018 and 2017 would have decreased (or increased) by NT$3,025 thousand and NT$3,065 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, 2018 and 2017 would have decreased (or increased) by NT$7,329 thousand and NT$7,103 thousand, respectively. Assuming an unfavorable (or favorable) 10% movement in the levels of the Chinese Yuan against the New Taiwan dollar, the net income for the years ended December 31, 2017 and 2018 would have decreased (or increased) by NT$73,860 thousand and NT$54,100 thousand, respectively.

(b) Interest rate risk

Interest rate risk refers to the changes in market interest rates. Some of the Group's financial assets at amortized cost has fixed interest rates and changes in interest rates would not affect the future cash flows. Interest rate risk arises from bank loans, financial assets at amortized cost at floating interest rates and changes in interest rates would affect the future cash flows but not the value. Please refer to Note 6(15) for the range of interest rates of the bank loans.

The Group's sensitivity analysis to interest rate risk is mainly focused on changes in interest rates of fixed-income investments and fixed-rate loans at the end of the reporting period. Assuming an increase (or decrease) in interest rates of 10 basis point (0.1%), the net income for the years ended December 31, 2018 and 2017 would have decreased (or increased) by NT$783 thousand and NT$119 thousand, respectively.

(c) Other price risk

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

The Group's sensitivity analysis to price risk is mainly focused on changes in fair value at the end of the reporting period. Assuming an increase (or decrease) of 7% in prices of financial instruments, the net income for the years ended December 31, 2018 and 2017 would have increased (or decreased) by NT$45,551 thousand and NT$16,168 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, 2018 and 2017, the Group's top three largest customers accounted for 50.96% and 69.91% 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, 2018	Less than 1 year	2-3 years	4-5 years	Over 5 years	Total
Accounts and notes payable	$ 121,018	$ -	$ -	$ -	$ 121,018
Other payables	110,080	-	-	-	110,080
Long-term bank loans	123,655	255,141	242,810	316,243	937,849
Total	$ 354,753	$ 255,141	$ 242,810	$ 316,243	$ 1,168,947

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

F. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

(b) 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

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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss				
Beneficiary certificates	$ 454,631	$ -	$ -	$ 454,631
Non-publicly traded stocks	-	-	138,955	138,955
	$ 454,631	$ -	$ 138,955	$ 593,586

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

There were no transfers between Level 1 and Level 3 of the fair value hierarchy or assets and liabilities held on December 31, 2018 and 2017 that are measured at fair value on a recurring basis except that non-publicly traded stocks which were classified as financial assets carried at cost under IAS 39 as of December 31,2017 are now reclassified as financial assets at fair value through profit or loss under IFRS 9 and the non- publicly traded stocks which were converted from publicly traded stocks are measured at level 3 fair value.

Financial assets at fair value through profit or loss which have quoted prices in active markets are classified as level 1 fair value. If there are no active markets, the company uses evaluation techniques (including income method and market method) to consider cash flow forecast, recent fundraising activities, evaluation of similar companies, individual company development, market conditions and other economic indicators as the basis for the evaluation of fair value. If the financial assets have a restriction on the transfer or sale, the fair value is determined based on the price of a similar and unrestricted financial assets in the active market. If the significant impact values used are observable, the assets are classified to the level 2, otherwise they are at level 3.

(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, 2018			December 31, 2017		
	Foreign Currencies	Exchange Rate	TWD	Foreign Currencies	Exchange Rate	TWD
Financial Assets						
Monetary items						
USD	$ 70,518	30.72	$ 2,166,313	$ $71,177	29.76	$ 2,118,228
CAD	1,283	23.91	30,677	1,282	23.91	30,653
EUR	2,082	35.20	73,286	1,997	35.57	71,033
CNY	165,269	4.47	738,752	125,044	4.57	571,451
JPY	2,686	0.28	752	180	0.26	47
Financial Liabilities						
Monetary items						
USD	$ 6	30.72	$ 184	$ 566	29.76	$ 16,844
CNY	36	4.47	161	6,664	4.57	30,454

13. ADDITIONAL DISCLOSURES

(1) Related Information on Significant Transactions

No.	Items	Table
1	Financings provided	1
2	Endorsement/guarantee provided	2
3	Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and jointly controlled entities)	3
4	Market securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital	4
5	Acquisition of individual real estate reaching NT$300 million or 20% of the paid-in capital or more	None
6	Disposal of individual real estate reaching NT$300 million or 20% of the paid-in capital or more	None
7	Total purchases from or sales to related parties reaching NT$100 million or 20% of the paid-in capital or more	5
8	Receivables from related parties reaching NT$100 million or 20% of the paid-in capital or more	6
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	7

(2) Information on Investees

Please see Table 8 attached (excluding the investee in Mainland China).

(3) Information on Investments in Mainland China

A. Please see Table 9 attached.

B. Directly or indirectly significant transactions through third regions with the investees in Mainland China: Please refer to Notes 5 and 6 for the Group’s directly significant transactions with the investees in Mainland China and indirectly significant transactions through third regions, including purchases, sales, receivables and payables between Brogent Hong Kong Limited and the investees in Mainland China.

Table 1: Financings provided as of December 31, 2018

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

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands) (Note 3)	Ending Balance (Foreign Currencies in Thousands) (Note 3)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing (Note 4)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 1)
													Item	Value		
0	Brogent Technologies Inc.	Brogent Global Inc.	Other receivables from related parties	Yes	$264,352	$264,352	$-	-	2	$-	Operating capital	$-	-	$-	$283,618	$1,134,470
		Brogent Hong Kong Limited	Other receivables from related parties	Yes	264,352	264,352	-	-	2	-	Operating capital		-	-	283,618	1,134,470
		Brogent Mechanical Inc.	Other receivables from related parties	Yes	264,352	264,352	-	-	2	-	Operating capital		-	-	283,618	1,134,470

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

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

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

Note 4：The nature of the loan, such as:

1. Business
2. The need for short-term financing

Table 2: Endorsement/guarantee provided as of December 31, 2018

(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	$850,853	$210,180	$210,180	$-	$-	7.41%	$1,418,088	Yes	No	Yes
		Brogent Creative (Shanghai) Limited	Investee of Subsidiary	850,853	140,120	140,120	-	-	4.94%	1,418,088	Yes	No	Yes

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

Table 3: Marketable Securities Held as of December 31, 2018 (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 Account	December 31, 2018 Shares/Units (In Thousands)	December 31, 2018 Carrying Value (Foreign Currencies in Thousands) (Note 3)	December 31, 2018 Percentage of Ownership (%)	December 31, 2018 Fair Value (Foreign Currencies in Thousands)	Remark (Note 4)
Brogent Technologies Inc.	Fund							
	Prudential Financial RMB Money Market Fund RMB	None	Financial assets at fair value through profit or loss-current	957	RMB 10,842	-	RMB 10,842	
	Nomura Asia Pacific Bond Fund-Acc.	None	Financial assets at fair value through profit or loss-current	483	RMB 4,763	-	RMB 4,763	
	Eastspring Investments Umbrella Fund - Global Bond Fund of Fund A TWD	None	Financial assets at fair value through profit or loss-current	363	4,800	-	4,800	
	M&G Optimal Income Fund - M&G Optimal Income Fund	None	Financial assets at fair value through profit or loss-current	50	USD 498	-	USD 498	
	Yuanta Emerging Asia USD Bond Fund A TWD	None	Financial assets at fair value through profit or loss-current	954	9,479	-	9,479	
	Cathay Senior Secured High Yield Bond Fund A USD	None	Financial assets at fair value through profit or loss-current	2,974	USD 975	-	USD 975	
	Taishin Ta-Chong Money Market Fund	None	Financial assets at fair value through profit or loss-current	3,527	50,036	-	50,036	
	Franklin Templeton Sinoam Money Market Fund	None	Financial assets at fair value through profit or loss-current	4,848	50,035	-	50,035	
	JPMorgan Investment Funds - Global Income Fund - USD	None	Financial assets at fair value through profit or loss-current	11	USD 1,918	-	USD 1,918	
	JPMorgan Investment Funds - Global Macro Opportunities Fund (acc.) - USD (hedged)	None	Financial assets at fair value through profit or loss-current	7	USD 997	-	USD 997	
	Fuh Hwa Global Thematic USD	None	Financial assets at fair value through profit or loss-current	28	USD 312	-	USD 312	
	Fuh Hwa Olympic II Fund of Funds	None	Financial assets at fair value through profit or loss-current	68	USD 721	-	USD 721	
	Fuh Hwa Global Strategic Allocation Fund of Funds USD	None	Financial assets at fair value through profit or loss-current	81	USD 743	-	USD 743	

Held Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Securities Issuer (Note 2)	Financial Statement Account	December 31, 2018				Remark (Note 4)
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands) (Note 3)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Brogent Global Inc.	Common Stock							
	Jump Media International Co., LTD.	None	Financial assets at fair value through profit or loss-current	264	4,425	0.93%	4,425	
	This is Holland B.V.	None	Financial assets at fair value through profit or loss-noncurrent	100	19,732	10%	19,732	
	Preferred Stock							
	This is Holland B.V.	None	Financial assets at amortized cost-noncurrent	200	35,200	-	35,200	
Brogent Rides (Shanghai) Limited	Fund							
	ICBC-Net Asset Value Fund	None	Financial assets at fair value through profit or loss-current	15,000	RMB 15,280	-	RMB 15,280	
	NBCB-Net Asset Value Fund (Redeemable)	None	Financial assets at fair value through profit or loss-current	1,820	RMB 2,000	-	RMB 2,011	
	Common Stock							
	Fly Over The World Cultural Development Co. Ltd	None	Financial assets at fair value through profit or loss-noncurrent	20,000	RMB 25,670	5.71%	RMB 25,670	
Brogent Creative (Shanghai) Limited	Fund							
	ICBC-Net Asset Value Fund	None	Financial assets at fair value through profit or loss-current	500	RMB 511	-	RMB 511	
	NBCB--Net Asset Value Fund (Redeemable)	None	Financial assets at fair value through profit or loss-current	455	RMB 503	-	RMB 503	

Note 1： Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, “Financial instruments.”

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

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

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

Table 4: Market Securities Acquired and Disposed of at Costs or Prices of at least NT$300 million or 20% of the Paid-in Capital

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

Purchases /Sales Company	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					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 (Note)
Brogent Rides (Shanghai) Limited	Fly Over The World Cultural Development Co. Ltd.	Financial assets at fair value through profit or loss-noncurrent	-	-	-	$-	20,000	$111,450	-	$-	$-	$-	20,000	$111,450
Note: Original cost excluding evaluation amount														

Table 5: Total Purchases from or Sales to Related Parties Reaching NT$100 million 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 Global Inc.	Brogent Creative (Shanghai) Limited	Associate	Sales	$204,629	82%	OA 60 Days	$-	$-	$-	-	

Table 6: Receivable from Related Parties Amounting to at least NT$100 million or 20% of the Paid-in Capital

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

Company Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)		Turnover Day	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts	Note
						Amount	Action Taken			
Brogent Technologies Inc.	Brogent Rides (Shanghai) Limited	Investee of Subsidiary	Account Receivable	$89,440	-	$-	-	$-	$-	
			Other Receivable	$32,809	-	-	-	-	-	

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

Table 7: 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	$14,820	-	-
				Prepayments	74,840	-	2%
				Purchases	80,170	-	5%
		Brogent Global Inc.	1	Construction receipts payable	60,000	-	1%
				Construction contract revenue	10,603	-	1%
				Ticket cost	24,180	-	1%
				Other unearned revenue	28,571	-	1%
		Brogent Hong Kong Limited	1	Construction receipts payable	191,429	-	5%
				Construction contract revenue	23,609	-	1%
		Brogent Rides (Shanghai) Limited	1	Receivables to related parties	122,249	-	3%
				Construction receipts payable	89,440	-	2%
				Construction contract revenue	9,867	-	1%
		Brogent Creative (Shanghai) Limited	1	Construction contract revenue	88,812	-	5%
1	Brogent Hong Kong Limited	Brogent Global Inc.	2	Prepayments	43,528	-	1%
		Brogent Creative (Shanghai) Limited	2	Construction receipts payable	207,503	-	5%
				Advance by projects	44,561	-	1%
				Construction contract revenue	25,076	-	1%
2	Brogent Global Inc.	Brogent Hong Kong Limited	2	Advance by projects	43,528	-	1%
		Brogent Creative (Shanghai) Limited	2	Construction contract revenue	204,629	-	12%
		Brogent Rides (Shanghai) Limited	2	Other receivables	55,471	-	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 8: Information on Investees (Excluding the Investee in Mainland China)

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

Investor Company	Investee Company	Location	Business Scope	Original Investment Amount: December 31, 2018(Foreign Currencies in Thousands)	Original Investment Amount: December 31, 2017	Balance as of December 31, 2018: Shares (In Thousands)	Balance as of December 31, 2018: Percentage of Ownership	Balance as of December 31, 2018: Carrying Value(Foreign Currencies in Thousands)	Net Income (Loss) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
Brogent Technologies Inc.	Brogent Mechanical Inc.	Taoyuan City	Manufacture and sales of the simulator rides and its key components	$55,000	$55,000	7,696	61.11%	$84,123	$6,615	$4,043	Subsidiary
	Brogent Creative Inc.	Kaohsiung City	Development and sales of the peripheral products of simulator rides	9,000	9,000	900	60.00%	7,781	(918)	(551)	Subsidiary
	Brogent Hong Kong Limited	Hong Kong	Reinvestment and trading business	200,338 (USD 6,700)	54,063 (USD 1,700)	-	100.00%	231,638 (USD 7,689)	3,294 (USD 109)	3,294 (USD 109)	Subsidiary
	Brogent Global Inc.	Kaohsiung City	Development and management business of self-operated outlets	300,000	300,000	30,870	100.00%	342,489	39,465	39,465	Subsidiary
	Dili Jie Holdings Limited	British Virgin Islands	Reinvestment and trading business	267,955 (USD 8,900)	-	-	100.00%	312,329 (USD 10,165)	12,083 (USD 400)	12,083 (USD 400)	Subsidiary
Brogent Hong Kong Limited	Brogent Japan Entertainment Joint-Stock Corporation	Tokyo	Management business development and sales of the peripheral products of simulator rides in Japan	10,161 (JPY 35,000)	10,161 (JPY 35,000)	--	40.00%	5,772 (JPY 20,748)	(6,679) (JPY 24,409)	Note 2	Joint Venture
	hexaRide the first LLP	Tokyo	Development and management business of self-operated outlets	35,818 (JPY 130,000)	-	-	86.67%	29,842 (JPY 107,275)	(7,168) (JPY 26,226)	Note 2	Subsidiary
Dili Jie Holdings Limited	Jetway Holdings Limited	Cayman Islands	Reinvestment and trading business	270,020 (USD 8,900)	-	-	100.00%	312,161 (USD 10,163)	12,028 (USD 399)	Note 2	Subsidiary
Jetway Holdings Limited	Galey Holdings Limited	British Virgin Islands	Reinvestment and trading business	131,258 (USD 4,300)	-	-	100.00%	170,833 (USD 5,562)	11,989 (USD 397)	Note 2	Subsidiary
	Holey Holdings Limited	British Virgin Islands	Reinvestment and trading business	139,753 (USD 4,550)	-	-	100.00%	139,753 (USD 4,550)	-	Note 2	Subsidiary

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

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

Table 9: 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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Brogent Rides (Shanghai) Limited	Import and export business	$222,712 (USD 7,300)	2	$22,690 (USD 700)	$200,022 (USD6,600)	$-	$222,712 (USD 7,300)	$27,605 (USD 915)	100%	$27,605	$291,583 (USD 9,493) (Note2)	$-
Brogent Creative (Shanghai) Limited	Development and management business of self-operated outlets	59,397 (RMB 13,000)	3	-	-	-	-	9,070 (RMB1,989)	100%	9,070	96,212 (RMB 21,514) (Note2)	-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$222,712 (USD 7,300)	$222,712 (USD 7,300)	$1,701,706

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 and Garley Holdings Limited), which then invested in the investee in Mainland China.

(3) Others.

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

14. OPERATING SEGMENTS INFORMATION

(1) Operating Segments

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

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

(2) Geographic Information

	Revenue		Noncurrent Assets	
	2018	2017	December 31, 2018	December 31, 2017
Taiwan	$ 41,304	$ 25,815	$ 1,086,321	$ 957,128
Asia	1,092,079	1,209,646	32,265	-
Europe	177,394	115,568	114,470	114,470
United States	131,226	152,023	-	-
Australia	195,435	11,417	-	-
Total	$ 1,637,438	$ 1,514,469	$ 1,233,056	$ 1,071,598

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	2018	2017
Construction contract revenue	$ 1,588,776	$ 1,436,045
Profit sharing of ticket sales	21,676	18,461
Service and maintenance revenue	16,580	56,074
Sales revenue	10,406	3,889
Total	$ 1,637,438	$ 1,514,469

(4) Major Customer's Information

Customer	2018		2017	
	Amount	Percentage of Net Revenue	Amount	Percentage of Net Revenue
Customer R	$ 195,435	11.94	$ 432,527	28.56
Customer T	277,701	16.96	320,163	21.14
Customer A	122,078	7.46	161,699	10.68
Customer B	48,684	2.97	131,082	8.66
Customer C	37,311	2.28	105,803	6.99
Customer D	20,889	1.28	77,771	5.14
Customer S	11,860	7.24	51,781	3.42
Customer Q	22,161	1.35	45,071	2.98
Customer O	16,609	1.01	28,892	3.45
Customer P	11,212	6.85	10,795	0.71