Stock Code
5263

Brogent Technologies Inc.

2016

Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Date Printed: May 10, 2017

Taiwan Stock Exchange Market Observation Post System: http://newmops.twse.com.tw

1. Name, Title, Contact No., and Email of the Company's spokesperson

Spokesperson name: Chih-Hung Ouyang

Title: President

Telephone:(07)537-2869

Email:stock@brogent.com

Representative spokesperson: Hui-Chuang Lin

Title: Director of the Administration Center

Telephone:(07)537-2869

Email:stock@brogent.com

2. Head office address and telephone no.

Head office: Number 9, Fuxing 4th Rd., Qianzhen District, Kaohsiung City (80661) Taiwan

Telephone:(07)537-2869

3. Name, address, website, and telephone no. of stock transfer agency

Stock transfer institute: Share Administration Agency, Taishin International Bank

Address: No.96, Sec. 1, Jianguo N. Rd., Jhongshan District, Taipei City 10489, Taiwan

Website:www.taishinbank.com.tw

Telephone:(02)2504-8125

4. External auditor for most recent financial statement

External auditor: Yielson Chang, CPA

Yu-Chieh Lo, CPA

Accounting firm: Grant Thornton Taiwan

Address: 13F.-2&-3, No.91 Chung Shan 2nd Road, Kaohsiung, Taiwan

Website:www.gti.com.tw

Telephone:(07)537-2589

5. Name of overseas trading office of listed valuable securities and method of searching for information of valuable overseas securities: None.

6. Company website:www.brogent.com

Table of Contents

I. Letter to Shareholders

Dear Shareholders,

We thank you for your support to Brogent Technologies (hereafter "Brogent") and for attending our annual 2017 shareholders' meeting amidst your busy schedule.

In the past year, Brogent has made few changes in operation. The Company has not only brought in strategic investors, but also adopted diverse management strategies, to introduce profit division models to replace the current strategy of once-off outright selling of equipment. These changes were made to ensure Brogent’s future growth. We wish to transform Brogent from simply being a supplier of amusement park facilities to a collective operator of the digital entertainment businesses.

In 2016, Brogent’s revenue amounted to NT$881 million. The gross profit was NT$445 million. The operating profit was NT$109 million. The net income was NT$106 million, the earnings per share reached NT$2.30. The total amount of contracts signed in 2016 broke our company’s record again. We have 24 MOU and 8 contracts of motion simulator signed in the past year. The order is foreseeable to 2019. The future of the company is quite optimistic.

In 2017, there will be three flying theaters opening in Europe, German, Spain and Netherland. In Asia, the flying theater in Beijin is scheduled to open in the 4th quarter of this year; In addition, the one in Taxas, U.S.A., will open to public in 2018. Our start product, i-Ride, has become the must-have equiptment of the first-tier theme parks in Europe and North America; the revenue from equipment sales becomes one of the profit drivers of the company under the policy of diversified development. In 3 to 5 years, we look forward to setting up 100 sets of Brogent’s products worldwide.

Looking over 2017, the transformed Brogent will expand globally with its flexible, diverse business model, in an effort to optimize its products while raising product value, therefore ensuring steady revenue growth for the Company and solidifying the foundation for sustainable management. The Company and all of its employees will continue to achieve the Company's various operating goals in gratitude of each and every shareholder's long-term support and encouragement.

Our best wishes for the health and prosperity of all our shareholders!

Chairman, Chung-Ming Huang

1. Accomplishments in 2016

(1) Business Plan Implementation Outcomes in 2016

Unit: NT$1,000

Year / Item	2015	2016	Change (amount)	% Change
Sales revenue	705,424	881,670	176,246	24.98
Gross profit	333,961	444,937	110,976	33.23
Operating expenses	203,549	336,429	132,880	65.28
Operating income	130,412	108,508	(21,904)	(16.8)
Net income (loss) before tax	152,227	129,584	(22,643)	(14.87)
Net income(loss)	119,769	106,112	(13,657)	(11.40)

(2) 2016 Budget Execution

According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company did not need to compile a financial forecast for 2016, and therefore this section is not disclosed.

(3) Analysis of Financial Gains and Losses and Profitability

Unit: NT1,000

Year / Item		2015	2016
Financial structure (%)	Debt-to-assets ratio	20.8	19.56
	Long-term fund to property, plant and equipment (fixed assets) ratio	463.42	370.76
Solvency (%)	Current ratio	413.34	728.64
	Quick ratio	361.3	537.88
	Times interest earned	31,358.11	2615.71
Profitability	Return on assets (%)	3.89	3.45
	Return on equity (%)	4.82	4.08
	Paid-in capital to income before tax (%)	34.07	29.00
	Net profit margin (%)	16.98	12.04
	Earnings per share (NT$)	2.57	2.30

(4) Research and Development

To continuously enhance the Company’s competitiveness, the Company has always actively invested in R&D efforts. In 2015 and 2016, it has expended a total of NT$63.288 million and NT$95.569 million in R&D, respectively accounting for 8.97% and 10.84% of the net operating income. 2016 R&D expense was lowered maily because the development of new projects was encluded in the cost of good sold.

(5) Impacts of External Competitive Environment, Regulatory Environment, and Overall Operation Environment

The Company operates its business in accordance with domestic and foreign laws and regulations and periodically notes any changes in domestic and foreign policies and development trends, to facilitate immediate response. The Company's employees also receive training regularly to update them on current political and economic changes and trends; therefore, changes to laws and regulations will not exert a material impact on the Company's business development.

Regarding external competition and the overall business environment, because the Company has successfully expanded into overseas markets in 2016, we will continue to develop our businesses based on market internationalization. By seeking high-quality customers, attaining product recognition, raising product sales prices, and adopting a product composite marketing model concurrent with mature technologies and scaled production, the Company expects to accurately ascertain the pulse of the global market. Thus, based on the economic recovery of European and American countries as well as China’s entertainment market demand, Brogent will expand its businesses into the global market, thereby enhancing its overall revenue performance.

2. Summary of Business Plan for 2017

(1) 2017 Operational Goals and Crucial Product Marketing Policies

1. Continue to optimize the quality of sensory simulation amusement park facilities and diversify product category.
2. Actively extend into the international market and raise its global brand

awareness.

3. Deepen the design and production of digital contents and heighten product added value.
4. Engage in industry–academic cooperation to actively cultivate high-quality specialists in digital content.

(2) Expected Sales Volume and Criteria

The Company's operational revenues mainly come from the sales of motion simulation entertainment facilities. According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company did not need to compile a financial forecast for 2016, and therefore this section is not disclosed.

3. Future Corporate Development Strategy

(1) Product diversification: We will continue to extend our product line from the current 15 product types.

(2) Market internationalization: The North America and European markets are growing rapidly, with the Chinese market will become the largest single market.

(3) Diversification of revenue models: In addition to the outright selling of our equipment, profit distribution, ventures, peripheral products, themed IP, and content licensing will also be our stable source of income.

(4) Integration of strategic partner resources: Licensing of themed IPs will be strengthened, and more business locations will be established.

II. Company Profile

1. Date of Establishment

October 30, 2001.

2. Company History

Company milestones up to the date of this report:

April 2011	Opening of 4D Theater at Formosan Aboriginal Culture Village.
June 2011	Conversion of employee stock options to 1,744,000 ordinary shares; the paid-up capital following capital increase totaled to NT$213,560,000.
September 2011	Seasoned equity offering (SEO) of NT$12,700,000; following capital increase, the paid-up capital totaled to NT$226,260,000.
October 2011	Approved public offering of stock.
December 2011	Registered on emerging stock market.
June 2012	Constructed started on new research and test center at Kaohsiung Software Park.
September 2012	Passed the market listing application by the Board of Directors of the Taipei Exchange.
November 2012	Public underwriting of SEO prior to listing amounted to NT$28,290,000, and the paid-up capital following capital increase totaled to NT$254,550,000.
December 2012	Stock market launch.
January 2013	Completion of the operational headquarters and R&D test center.
February 2013	The i-Ride passed China’s A-grade large-scale amusement park facility authentication and a commercial business license was received for it.
April 2013	The i-Ride opened at an anime themed shopping center in Hangzhou, China.
July 2013	The new generation of i-Ride, Fly Over Canada, opened in Vancouver, Canada.
October 2013	Attended the National Palace Museum First New Media creative contest; the Company's 3D interactive new media art gained honorable mention.
October 2013	Signed a Memorandum of Understanding with Kodansha, Japan.
October 2013	Surplus transfer of NT$12,727,500, and the paid-up capital following capital increase totaled to NT$267,277,500.
February 2014	Conversion of convertible corporate bond to ordinary bond totaled to NT$7,422,770; the paid-up capital following capital increase totaled to NT$274,700,270.
March 2014	First-quarter revenue reached NT$312 million, with net profit after tax amounting to NT$100 million, both represented record highs in Brogent's history.
April 2014	The i-Ride received the 2014 Taiwan Excellence Reward for the category of

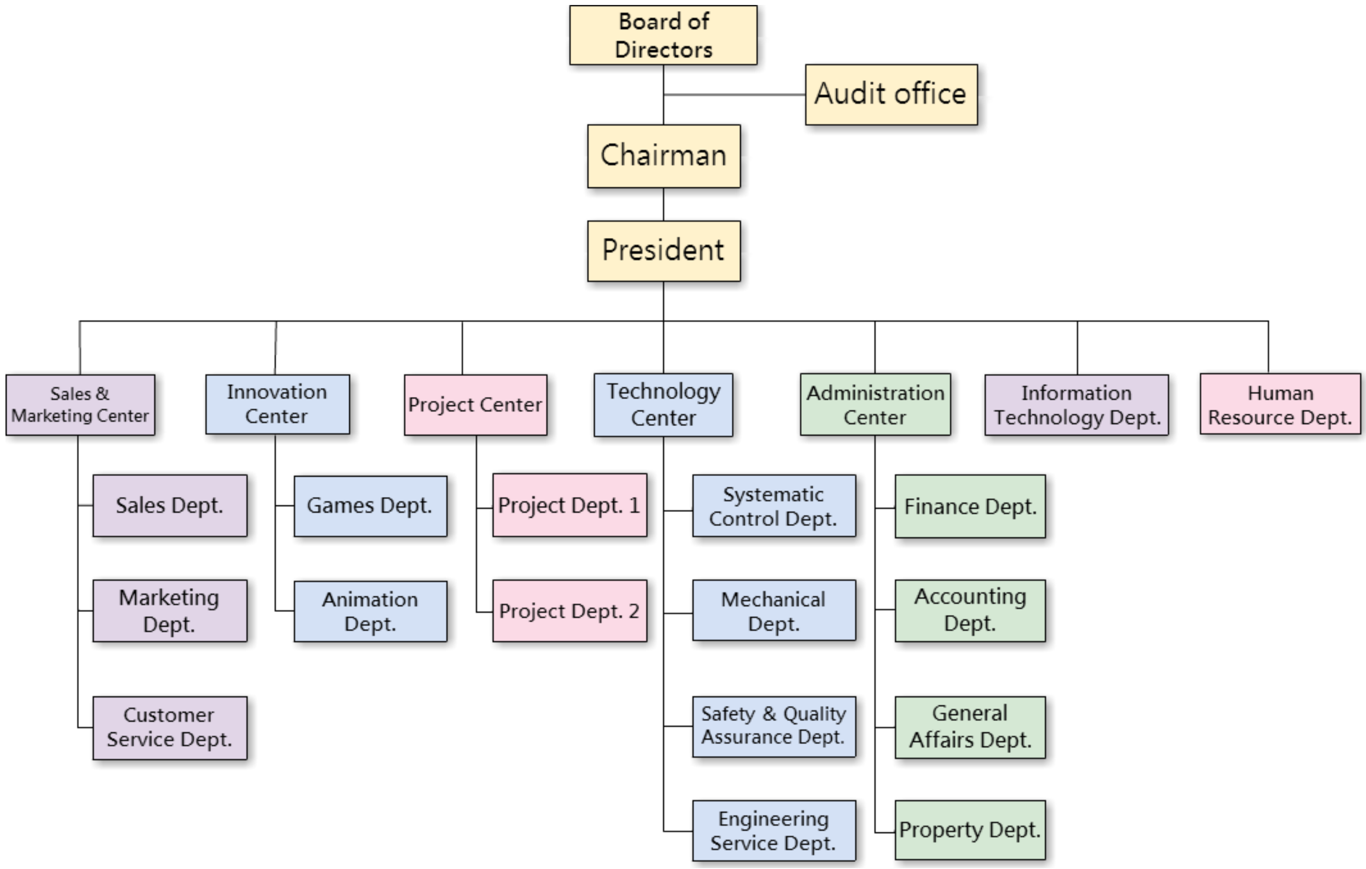
	fashion, life, culture and creativity product.
May 2014	Conversion of convertible corporate bond to ordinary bond totaled to NT$15,433,990; the paid-up capital following capital increase totaled to NT$290,134,260.
June 2014	Held the Groundbreaking Ceremony for the 2nd stage of the R&D Center.
July 2014	Fuji Q Highland held the Grand Opening of the i-Ride flight theater "Fuji Airways" in Fujiyoshida, Japan.
July 2014	Conversion of convertible corporate bond to ordinary bond totaled to NT$18,753,440; the paid-up capital following capital increase totaled to NT$308,887,700.
September 2014	Capital reserve transfer of NT$27,470,020; the paid-up capital following capital increase totaled to NT$336,357,720.
October 2014	Signed the "Attack on Titan" IP licensing contract with Kodansha Ltd.
November 2014	Conversion of convertible corporate bond to ordinary bond totaled to NT$442,070; the paid-up capital following capital increase totaled to NT$336,799,790.
January 2015	Seasoned equity offering (SEO) of NT$60,000,000; following capital increase, the paid-up capital totaled to NT$396,799,770.
January 2015	Signed another MOU with Kodansha Ltd. to establish marketing companies for peripheral products.
March 2015	Awarded the Potential Mittelstand Enterprise for the 3rd Taiwan Mittelstand Award held by the Industrial Development Bureau, Ministry of Economic Affairs (MOEA).
June 2015	Seasoned equity offering (SEO) of NT$10,300,000, following capital increase, the paid-up capital totaled to NT$407,099,770.
July 2015	Surplus transfer of NT$39,680,000, following capital increase, the paid-up capital totaled to NT$446,779,770.
November 2015	Awarded government subsidies under the international market development program by the Bureau of Foreign Trade, Ministry of Economic Affairs.
December 2015	The grand opening of i-Ride flight theater themed “Attack on Titan” was held in Shan-Shun World, Toufen Township, Miaoli County, Taiwan.
January 2016	Grand opening of the 2nd stage Office Building.
March 2016	Grand opening of the 4D motion simulating theater in the famous European safari “Zoo Emmen” in Netherlands.
April 2016	New launch of i-Ride flight theater “FlyOver America” in Mall of America, Minnesota, U.S.A.
May 2016	The Joint Research and Development Center between Brogent and National Sun Yat-Sen University was established.

July 2016	The Research and Development Center of Somatosensory Content between Brogent and Southern Taiwan University of Science and Technology was established.
September 2016	The Lord Mayor of Brisbane, Australia, Graham Quirk, visited Brogent with the Brisbane delegation and experienced i-Ride flight theater.
December 2016	Awarded the Enterprise with Outstanding Contribution by Export Processing Zone, M.O.E.
March 2017	Feng Tang, Minister without Portfolio of Executive Yuan, came to Brogent to experience i-Ride flight theater.

III. Corporate Governance Report

1. Organizational System

(1) Organizational Profile



(2) Business Activities of Each Major Division

Major Divisions	Primary Duties
Chairman's Office	Supervise the execution of the corporate internal audit
Audit Office	A.Inspects and evaluates whether internal control systems are sound and provides recommendations relating to analysis and evaluations. B.Plan, implement, and improve internal auditing systems; requests operational procedures to comply with laws, regulations, and articles of incorporation; and assists in increasing business performance.

Major Divisions	Primary Duties
President’s Office	A.Plan the corporate mid-term and long-term business strategy, as well as the new business direction and market deployment. B.Control and evaluate the operation results of subsidiaries.
Sales & Marketing Center	A. Plan and implement marketing strategies. B.Achieve company-defined business goals and prepare for overseas exhibitions. C.Handle general tasks (product presentation, proposal, quotation, negotiation, payment collection, and payment notification) and determine customer's status in contract compliance. D.Coordinate and communicate with marketing business and technical teams.
Innovation Center	A.Design and excute new technology and products. B. Develop new interactive game. C. Produce animation.
Project Center	A.Supervisor implementation and management of construction projects. B.Communicate and manage customers when implementing projects.
Technology Center	A.Design, develop, and produce hardware structures such as six-axis platforms, steel structures, and dynamic structures such as elevators. B.Organize and archive information for certification regulations and product technical operating maintenance handbook.
Administration Center	A.Formulates financial plans, allocates use of funding, and manages risks. B.Manages and operates accounting, tax, and stock affairs, and provides analysis and reports to assist decision-making C.Assist in executing and promoting general affairs and cooperate with establishing relevant systems. D.Control product production processes and manage outsourced contractors.
IT Department	A.Develop and maintain computer networks and application systems. B.Maintain and manage computer hardware, peripheral equipment, and information files. C.Plan and execute system safety.
Human Resources Department	A.Organize and plan human resources. B.Recruit and train employees. C.Analyze work tasks, develop and plan employee salaries. D.Carry out performance evaluations and devise welfare policies.

2. Profile of Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Directors

(1) Directors and Supervisors

1. Directors and Supervisors

April 07, 2016; Unit: Shares; %

Title	Nationality or place of registration	Name	Date elected	Term	Date first elected	Number of shares held when elected		Number of shares currently held		Shares held by spouse and minor children		Number of shares held in the name of others		Education/work experience	Other positions	Other officer, director or supervisor who is the spouse or a relative within the second degree		
						Shares	Share holding Percentage	Number of shares	Shareholding Percentage	Number of shares	Shareholding Percentage	Number of shares	Share holding Percentage			Title	Name	Relationship
Chairman	ROC	Chung-Ming Huang	2014.06.11	3 years	2011.10.05	1,992,900	6.45%	2,381,654	5.33%	269,784	0.60%	—	—	1.Ph.D in Engineering Management, University Of Missouri-Rolla 2.Director, Business Administration Office; Dean, Engineering & Management of Advanced Technology Dept; Dean, International Business Dept, Chang Jung Christian University 3.Supervisor, Taiwan Water Corporation	1. Director, Fu Yi Investment Ltd. 2. Professor, Engineering & Management of Advanced Technology Dept, Chang Jung Christian University	None.	None.	None.
Director	ROC	Chih-Hung Ouyang	2014.06.11	3 years	2011.10.05	2,194,500	7.10%	2,822,581	6.32%	80,308	0.18%	—	—	1.Electrical Engineering, National Sun Yat-sen University 2.R&D Engineer, Acer Incorporated 3.Project Manager, Ai West Co. Ltd. 4.President, Micro Sova	1. President, Brogent Techonologies Inc. 2. Chairman, Fu Wu Investment Ltd. 3. Chairman, Brogent Global Inc. 4. Chairman, Brogent Mechanical Inc.	None.	None.	None.
Director	ROC	Chin-Huo Huang	2014.06.11	3 years	2011.10.05	763,350	2.47%	912,256	2.04%	200,771	0.45%	—	—	1.Chang Hua Industrial Vocational High School 2.Director, SANFU Motors Industrial Corp. 3.Director, Chun Ying Metal Industrial Co., Ltd.	1. Chairman, Fu Ying Metal Industrial Co., Ltd. 2. Chairman, Fujing Co., Ltd.	None.	None.	None.
Direcor	ROC	Chang chun Investment Co. Ltd.	2016.05.31	3 years	2016.05.31	1,706,565	3.82%	1,706,565	3.82%	—	—	—	—	1. M.B.A., National Taiwan University 2. Director, Mass Solutio Technologies 3.Supervisor, RT-Mart International 4.Supervisor, Gogoro Taiwan Limited	Vice President, Investment Administration Division, RT-Mart International	None.	None.	None.
		Representa-tive: Chih-Chuan Chen				24,144	0.05%	24,144	0.05%	—	—	—	—					

Title	Nationality or place of registration	Name	Date elected	Term	Date first elected	Number of shares held when elected		Number of shares currently held		Shares held by spouse and minor children		Number of shares held in the name of others		Education/work experience	Other positions	Other officer, director or supervisor who is the spouse or a relative within the second degree		
						Shares	Share holding Percentage	Number of shares	Shareholding Percentage	Number of shares	Shareholding Percentage	Number of shares	Share holding Percentage			Title	Name	Relationship
Direcor	ROC	Chun-Hao Cheng (Note 1)	2014.06.11	3 years	2011.10.05	110,250	0.36%	125,781	0.28%	2,286	0.01%	—	—	1.Ph.D in Business Studies, Meiji University 2.Supervisor, Taiwan Water Corporation 3.Associate Professor, Department of Finance, I-Shou University 4.Associate Professor, Graduate Institute of Hospitality Management, NKUHT	Professor, Graduate Institute of Hospitality Management, NKUHT	None.	None.	None.
Independent Director	ROC	Yi-Hsiang Huang	2014.06.11	3 years	2011.11.23	—	—	—	—	—	—	—	—	1.Ph.D, Financial Management, National Central University 2.Department Chair, Department of Finance, National University of Kaohsiung 3.Director, Extension Education Center, National University of Kaohsiung	Professor, Department of Finance, National University of Kaohsiung	None.	None.	None.
Independent Director	ROC	Shun-Jen Cheng	2014.06.11	3 years	2013.06.19	—	—	—	—	—	—	—	—	1.Ph.D in Business Studies, Manuel L.Q University 2.Doctoral Seminar in Institute of Technology & Innovation Management, Chung Hua University	1. Consultant at Kaohsiung City Government 2. Vice President, Cheng Shiu University	None.	None.	None.
Supervisor	ROC	Chun-Nan Chen	2014.06.11	3 years	2011.10.05	740,900	2.40%	885,426	1.98%	—	—	—	—	1.Zhong Shan School of Medicine 2.Advanced Level in the Examination for Medical Personnel 3.Attending physician, JiaYang Dermatology Center	Supervisor, Jinan Industrial Co., Ltd	None.	None.	None.
Supervisor	ROC	Yung-Liang Huang	2014.06.11	3 years	2014.06.11	899,000	2.91%	1,033,466	2.31%	—	—	—	—	1.Masters in Business Management, US International Asia Pacific University 2.Continued education in Masters Program at Dayeh University 3.Media advertisement agency	Director, Wing Yue Advertising Company	None.	None.	None.

Note 1: Chun-Hao Cheng resigned Supervisor on 2016,03.09 and was elected as Director on 2016.05.31..

2. Director and Supervisor Expertise and Independence

Criteria / Name	Has at least 5 years of work experience and meets one of the following professional qualifications			Meet the independence criteria (Note 1)										Number of other public companies in which the Director also serves as an Independent Director
	An instructor or higher position in a department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate therefor	Has work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Chung-Ming Huang	✓		✓	✓	-	-	✓	-	✓	✓	✓	✓	✓	None.
Chih-Hung Ouyang			✓	-	-	-	✓	-	✓	✓	✓	✓	✓	None.
Chin-Huo Huang			✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	None.
Chang chun Investment Co. Ltd Representative: Chih-Chuan Chen			✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	None.
Chun-Hao Cheng (Note 2)	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None.
Yi-Hsiang Huang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None.
Shun-Jen Cheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None.
Chun-Nan Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None.
Yung-Liang Huang			✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	None.

Note 1: If a director or supervisor meets any of the following criteria in the two years before being elected or during the term of office, a check "✓" is placed in the corresponding boxes.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of the Company or any of its affiliates unless the person is an Independent Director of the Company or its parent company, or any subsidiary in which the Company holds, directly and indirectly, more than 50% of the voting shares.

(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.

(5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.

(6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company. Excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.

(9) Not corresponding to any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.

Note 2: Chun-Hao Cheng resigned Supervisor on 2016,03.09 and was elected as Director on 2016.05.31

(2) Profile of President, Vice Presidents, Assistant Vice Presidents, and Department Directors

March 24, 2016; Unit: Shares; %

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality</th><th rowspan="2">Name</th><th rowspan="2">Date appointed</th><th colspan="2">Shares held</th><th colspan="2">Shares held by spouse and children</th><th colspan="2">Shares held in the name of others</th><th rowspan="2">Education/work experience</th><th rowspan="2">Other positions</th><th colspan="3">Other officer, director or supervisor who is the spouse or a relative within second degree</th></tr>
<tr><th>Shares</th><th>Shareholding Percentage</th><th>Shares</th><th>Shareholding Percentage</th><th>Shares</th><th>Shareholding Percentage</th><th>Title</th><th>Name</th><th>Relationship</th></tr>
<tr><td>President</td><td>ROC</td><td>Chih-Hung Ouyang</td><td>2001.10</td><td>2,822,581</td><td>6.32%</td><td>80,308</td><td>0.18%</td><td>-</td><td>-</td><td>Electrical Engineering, National Sun Yat-sen University
R&D Engineer, Acer Incorporated
Project Manager, Ai West Co. Ltd.
President, Micro Sova</td><td>Chairman, Fu Wu Investment Ltd.
Chairman, Brogent Global Inc.
Chairman, Brogent Machanical Inc.</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Director of the Administration Center</td><td>ROC</td><td>Sui-Chuan Lin</td><td>2013.01</td><td>170,462</td><td>0.38%</td><td>22,585</td><td>0.05%</td><td>-</td><td>-</td><td>Master Graduate from the Department of Finance, National Sun Yat-sen University
Finance Office at Chienmei Construction Development Corp.
Finance Department Manager at Brogent Technology</td><td>Supervisor, Brogent Global Inc.</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Director of Technology Center</td><td>ROC</td><td>Teng-Hung Lai</td><td>2010.11</td><td>28,442</td><td>0.06%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>Masters in the Department of Computer Science and Engineering at National Chung-Hsing University
Technical Chief Officer at Meihsing Technology
President of Liang Chuan Co. Ltd.</td><td>Director, Brogent Machanical Inc.</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Chief Engineer & Director of Project Center</td><td>ROC</td><td>Yi-Chung Huang</td><td>2015.08</td><td>19,313</td><td>0.04%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>PhD, Electrical Engineering, National Sun Yat-sen University
Chang Gu Construction Inc.
Manager, KungYuanInternational Technology</td><td>Chairman,Tong Shun Technology Inc.</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Audit Manager</td><td>ROC</td><td>Hui-Ping Li</td><td>2008.03</td><td>30,077</td><td>0.07%</td><td>3,000</td><td>0.01</td><td>-</td><td>-</td><td>Master Graduate from the Department of Finance, National Sun Yat-sen University
Accounting Department in Taiflex Scientific Co. Ltd.
Auditor at Ernst & Young Global Limited</td><td>None.</td><td>-</td><td>-</td><td>-</td></tr>
</table>

3. Remunerations to Directors, Supervisors, President, and Vice Presidents in recent years

1. Remunerations to Directors (including Independent Directors) in the most recent year (2016)

Unit: NT$1,000

Title	Name	Director's remuneration								Ratio of total A, B, C, and D to after-tax income		Pay received as an employee												Ratio of total A, B, C, D, E, F, and G to after-tax income		Remuneration received from investees other than subsidiaries
		Remuneration (A)		Pension (B)		Earnings appropriation (C)		Business expense (D)				Salary, bonus and special allowance (E)		Pension (F)		Profit sharing & bonus (G)				Shares subscribable under employee stock options (H)		Shares obtained through restricted stock award				
		Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent		All companies in consolidated statements		Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	
																Cash bonus	Stock bonus	Cash bonus	Stock bonus							
Chairman	Chung-Ming Huang	2,911	2,911	–	–	394	394	54	54	3.31	3.17	–	–	–	–	–	–	–	–	–	–	–	–	3.31	3.17	None.
Director	Chih-Hung Ouyang	–	1,079	–	–	394	394	48	48	0.44	1.43	2,371	2,371	–	–	–	–	–	–	–	–	–	–	2.78	3.67	None.
Director	Chin-Huo Huang	–	–	–	–	394	394	48	48	0.44	0.42	–	–	–	–	–	–	–	–	–	–	–	–	0.44	0.42	None.
Director	Chang chun Investment Co. Ltd. Representa-tive: Chih-Chuan Chen	–	–	–	–	394	394	18	18	0.41	0.39	–	–	–	–	–	–	–	–	–	–	–	–	0.41	0.39	None.
Director	Chun-Hao Cheng	–	–	–	–	394	394	24	24	0.41	0.39	–	–	–	–	–	–	–	–	–	–	–	–	0.41	0.39	None.
Independent Director	Yi-Hsiang Huang	300	300	–	–	–	–	66	66	0.36	0.34	–	–	–	–	–	–	–	–	–	–	–	–	0.36	0.34	None.
Independent Director	Shun-Jen Cheng	300	300	–	–	–	–	48	48	0.34	0.33	–	–	–	–	–	–	–	–	–	–	–	–	0.34	0.33	None.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	Chih-Hung Ouyang Chin-Huo Huang Changchun Investment Co. Ltd. Representative: Chih-Chuan Chen Chun-Hao Cheng Yi-Hsiang Huang Shun-Jen Cheng	Chih-Hung Ouyang Chin-Huo Huang Changchun Investment Co. Ltd. Representative: Chih-Chuan Chen Chun-Hao Cheng Yi-Hsiang Huang Shun-Jen Cheng	Chin-Huo Huang Changchun Investment Co. Ltd. Representative: Chih-Chuan Chen Chun-Hao Cheng Yi-Hsiang Huang Shun-Jen Cheng	Chin-Huo Huang Changchun Investment Co. Ltd. Representative: Chih-Chuan Chen Chun-Hao Cheng Yi-Hsiang Huang Shun-Jen Cheng
NT$2,000,001 ~ NT$5,000,000	Chung-Ming Huang	Chung-Ming Huang	Chung-Ming Huang Chih-Hung Ouyang	Chung-Ming Huang Chih-Hung Ouyang
NT$5,000,001 ~ NT$10,000,000				
NT$10,000,001 ~ NT$15,000,000				
NT$15,000,001 ~ NT$30,000,000				
NT$30,000,001~ NT$50,000,000				
NT$50,000,001 ~ NT$100,000,000				
Over NT$100,000,000				
Total	7	7	7	7

.

＊The compensation content disclosed in this table differs from the income concept of the Income Act; therefore, this table serves to disclose information rather than for tax purposes.

2. Remunerations to Supervisors in the most recent year (2016)

Unit: NT$1,000

Title	Name	Supervisor's Remuneration						Ratio of total A, B, and C to after-tax income		Remuneration received from Investees other than subsidiaries
		Remuneration (A)		Profit sharing (B)		Business expense (C)				
		Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	
Supervisor	Chun-Nan Chen	－	－	394	394	54	54	0.44	0.42	None.
Supervisor	Chun-Hao Cheng	57	57	－	－	12	12	0.07	0.07	None.
Supervisor	Yung-Liang Huang	－	－	394	394	54	54	0.44	0.42	None.

* Chun-Hao Cheng resigned Supervisor on 2016.03.09.

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	Chun-Nan Chen Chun-Hao Cheng Yung-Liang Huang	Chun-Nan Chen Chun-Hao Cheng Yung-Liang Huang
NT$2,000,001 ~ NT$5,000,000		
NT$5,000,001 ~ NT$10,000,000		
NT$10,000,001 ~ NT$15,000,000		
NT$15,000,001 ~ NT$30,000,000		
NT$30,000,001 ~ NT$50,000,000		
NT$50,000,001 ~ NT$100,000,000		
Over NT$100,000,000		
Total	3	3

*The compensation content disclosed in this table differs from the income concept of the Income Act; therefore, this table serves to disclose information rather than for tax purposes.

3. Remunerations to President, and Vice Presidents in the last year (2016)

Unit: NT$1,000

Title	Name	Salary (A)		Pension (B)		Bonus and special allowance (C)		Employee bonus (D)				Ratio of total A, B, C, and D to after-tax income (%)		Shares subscribable under employee stock options		Shares obtained through restricted stock award		Remuneration received from Investees other than subsidiaries
		Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent		All companies in consolidated statements		Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus							
President	Chih-Hung Ouyang	2,371	2,371	-	-	540	540	-	-	-	-	2.87	2.74	-	-	-	-	None.

Range of Remuneration	Name of President	
	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	-	-
NT$2,000,001 ~ NT$5,000,000	Chih-Hung Ouyang	Chih-Hung Ouyang
NT$5,000,001 ~ NT$10,000,000		
NT$10,000,001 ~ NT$15,000,000		
NT$15,000,001 ~ NT$30,000,000		
NT$30,000,001 ~ NT$50,000,000		
NT$50,000,001 ~ NT$100,000,000		
Over NT$100,000,000		
Total	1	1

＊The compensation content disclosed in this table differs from the income concept of the Income Act; therefore, this table serves to disclose information rather than for tax purposes.

4. Manager name and distribution situation regarding employee bonus in the last year (2016):

	Title	Name	Stock bonus	Cash bonus	Total	Total amount as a percentage of earnings (%)
Managerial officer	President	Chih-Hung Ouyang	0	1,718	1,718	1.70
	Director of Technology Center	Teng-Hung Lai				
	Chief Engineer & Director of Project Center	Yi-Chung Huang				
	Director of the Administration Center	Sui-Chuan Lin				
	Audit Manager	Hui-Ping Li				

(4) Respectively compare and describe the analysis of remunerations to Directors, Supervisors, President and Vice Presidents as a percentage of earnings in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance and future risks:

Unit: NT$1,000

Title	2016		2015	
	Brogent	All companies in consolidated statements	Brogent	All companies in consolidated statements
Director	9,668	13,339	10,705	12,822
Supervisor				
President				

Note 1: The Company did not set up a Vice President position.

The total amount as a percentage of earnings (losses) in 2016 and 2015 were respectively 12.57% and 10.71%. The Company determines the aforementioned personnel remunerations according to the Company's business performance, management performance, and standards in the market. The paid remuneration also conforms to the Company's salary-related management regulations and should be adequate for assuming responsibilities and risks.

4. Implementation of corporate governance

(1)Operations of the Board of Directors

In 2016, a total of 8 (A) meetings of the Board of Directors were held in the most recent year. The attendance was as follows:

Title	Name (Note 1)	Attendance in person (B)	By proxy	Attendance rate (%) [B/A] (Note 2)	Note
Chairman	Chung-Ming Huang	8	0	100.00	Reelected on 2014.06.11
Director	Chih-Hung Ouyang	7	0	100.00	Reelected on 2014.06.11
Director	Chin-Huo Huang	7	0	87.50	Reelected on 2014.06.11
Director	Changchun Investment Co. Ltd. Representative: Chih-Chuan Chen	3	0	87.50	Elected on 2016.05.31
Director	Chun-Hao Cheng	4	0	100.00	Elected on 2016.05.31
Independent Director	Yi-Hsiang Huang	8	0	100.00	Reelected on 2014.06.11
Independent Director	Shun-Jen Cheng	7	0	87.50	Reelected on 2014.06.11
Other matters that require reporting: 1. Matters stipulated in Article 14-3 of the Securities and Exchange Act and resolutions adopted by the Board of Directors, to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement,shall describe the date of the board meeting, term of the board, agenda items, opinions of Independent Directors, and actions taken by the					

Title	Name (Note 1)	Attendance in person (B)	By proxy	Attendance rate (%) [B/A] (Note 2)	Note
company in response to the opinion of the Independent Directors: None. 2. Regarding Directors who recuse themselves from discussion or voting on an agenda item in which they have an interest, their names, agenda items, reason for recusal, and voting on an agenda item shall be stated: Not applicable. 3. An evaluation of the goals set for strengthening the functions of the Board (e.g., setting up an auditing committee and enhancing information transparency) and implementation status during the current and immediately preceding fiscal years. (1) The operation of the Board of the Company complies with laws and regulations, the Articles of Incorporation, and the Exercise of Powers of the resolutions in shareholders' meetings. All Directors adhere to the principle of good faith and duty of care in addition to possessing the expertise, skills, and literacy required for exercising their powers, in order to maximize benefits for all of their shareholders. (2) To establish a favorable governing system for the Company's Board of Directors, a sound supervision function, and strengthened management mechanism, the Company formulated the Board of Director Meeting Agenda Regulations in accordance with Article 26-3 of the Securities and Exchange Act, including agenda items, execution of operations, matters that should be recorded in meeting minutes, announcements, and other matters that should be adhered to, and the aforementioned shall be handled in accordance with the formulated regulations. (3) In addition to regularly conducting self-examination of the operation of the Board of Directors and reinforcing the functions of the Board, the Company requires its internal auditors to produce auditing reports that describe the Board operations in order to conform with government regulations. (4) Establish a Remuneration Committee to assist the Board of Directors in executing its duties.					

Note 1: Directors and Supervisors who are also legal persons shall disclose the name of corporate shareholders and their representatives.

Note 2:

(1) For Directors or Supervisors who resigned from their position prior to the end of the financial year, the date of their resignation shall be noted in the Note column. Their actual attendance rate (%) shall be calculated according to the frequency they attended meetings of the Board during their tenure and their attendance in person.

(2) For changes to Directors or Supervisors before the end of the financial year, the new and old Directors or Supervisors shall be listed and Directors or Supervisors who are old or new and the date of their reelection and changes shall be noted in the Note column. Their actual attendance rate (%) shall be calculated according to the frequency they attended meetings of the Board during their tenure and their attendance in person.

(2) State of operations of the audit committee or attendance of Supervisors in board meetings: The Company does not have an audit committee set up. Attendance of Supervisors in board meetings:

In 2016, a total of 8 (A) meetings of the Board of Directors were held in the most recent year. The Supervisor attendance was as follows:

Title	Name	Attendance in person (B)	Attendance rate (%) (B/A) (Note)	Note
Supervisor	Chun-Nan Chen	8	100.00	Reelected on 2014.06.11
Supervisor	Chun-Hao Cheng	2	100.00	Resigned on 2015.03.09
Supervisor	Yung-Liang Huang	8	100.00	Newly elected on 2014.06.11

1. Composition and responsibility of Supervisors:
    (1) Communication between Supervisors and Company's employees and shareholders: Supervisors communicate with employees and shareholders through the company spokesperson. This communication channel has been effective in past years, thereby facilitating supervisory functions.
    (2) Communication between Supervisors and the Company's internal Audit Manager and CPA (e.g., items, methods, and outcomes of communicating company financial status and business conditions): The Company invites its Supervisors to attend board meetings; therefore, the Company reports the financial statement and business conditions of the Company during the board meetings or designates the Audit Manager to report the evaluation results of internal audits. All Supervisors may express their opinions during the meetings. Moreover, the financial statements approved by the CPA are submitted to the Supervisors for approval. If Supervisors voice their opinion when reviewing the financial statements, such opinion shall be either first explained by the CPA or be communicated to the CPA.
2. If a Supervisor voices an opinion in the Board of Directors meeting, the date of the board meeting, term of the board, agenda items, resolutions adopted by the board, and actions taken by the company in response to the opinion of the Supervisor shall be described: None.

Note:

＊For Independent Directors who resigned from their position prior to the end of the financial year, the date of their resignation shall be noted in the Note column. Their actual attendance rate (%) shall be calculated according to the frequency they attended meetings of the Board during their tenure and their attendance in person.

＊For changes to Independent Directors before the end of the financial year, the new and old Independent Directors shall be listed and Independent Directors who are old or new and the date of their reelection and changes shall be noted in the Note column. Their actual attendance rate (%) shall be calculated according to the frequency they attended meetings of the audit committee during their tenure and their attendance in person.

(3)Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons

Assessed areas	State of Operations (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
1. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		Handled in accordance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
2. Shareholding structure & shareholders' rights (1) Does the company establish internal operating procedures for handling shareholder suggestions, questions, complaints or litigation and handled related matters accordingly? (2) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders? (3) Does the company establish and implement risk management and firewall systems between the Company and its affiliates? (4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(1) The Company has stock affairs specialists and a stock affairs proxy agency to assist with handling such affairs. (2) Yes, according to the shareholders' registry provided by the stock affairs proxy agency, and we regularly report changes to the stock rights of our Directors, Supervisors, and managerial officers. (3) The Companyhas set up internal rules in the Company's Internal Control System and Affiliated Corporations Management. (4) The Company's operation is conducted according to the extent of internal control.	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
3. Composition and responsibilities of the Board of Directors (1) Does the Board of Directors develop and implement a diversified policy for the	V		(1) The Company has set up 2 seats for Independent Directors.	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM

Assessed areas	State of Operations (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
composition of its members? (2) Does the company voluntarily establish other functional committees in addition to remuneration committee and audit committee? (3) Does the company establish standards and method for evaluating the performance of the Board of Directors, and implemented it annually? (4) Does the company regularly evaluate the independence of CPAs?			(2) The Company has established a Remuneration Committee and proposed recommendations regarding the remunerations to its Directors, Supervisors, and managerial officers. (3) The Company currently has no method for evaluating the performance of the Board of Directors. (4) The Company regularly evaluates the independence of CPAs. The Company's CPAs are hired by the Board of Directors at least once per year, and they have no interest relationship with the Company and are strictly independent.	Listed Companies.
4. Does the Company established a full- (or part-) time corporate governanceunit or personnel to be in charge of corporate governance affairs (includingbut not limited to furnish information required for business execution bydirectors, handle matters relating to board meetings and shareholders'meetings according to laws, handle corporate registration and amendmentregistration, produce (or record?) minutes of board meetings andshareholders meetings, etc.	V		We arrange specific officers in charge of corporate governance affairs	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Assessed areas	State of Operations (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, and properly respond to corporate social responsibility issues of concern to the stakeholders?	V		The Company has a spokesperson and representative spokesperson who act as the communication channel for the Company.	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
6. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	V		The Company commissions the stock affairs agency department of Taishin International Bank to handle shareholder affairs.	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
7. Information disclosure (1) Does the company establish a corporate website to disclose information regarding the company's financial, business and corporate governance status? (2) Does the company have other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on the company website)?	V		(1) Web address: www.brogent.com; the Company has designated personnel to collect and disclose Company information. (2) Spokesperson: President Chih-Hung Ouyang; investors can also access the Company's information regarding the company's financial, business and corporate governance status from the Market Observation Post System.	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of Directors and Supervisors, the implementation of risk management policies	V		(1) Employee rights protection and employee care measures adopted by the Company: The Company provides equal employment opportunities, offers employee group insurance, arranges health check ups regularly, and establishes legal employee welfare committee to protect employee rights. Furthermore, we comply with law in enrolling every employee in	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Assessed areas	State of Operations (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for Directors and Supervisors)?			labor and health insurance and disburse pension reserve funds to them. The Company establishes appropriate channels for employees to file their complaint and values the importance of employee training. (2) The Company's relationship with its investors: The Company holds shareholder meetings according to law every year and adequately gives its shareholders the chance to raise questions and make proposals. In addition, we also have set up spokespersons and representative spokesperson in accordance with law and designate them to handle matters between the Company and its investors. Moreover, the Company announces and reports any information that should be disclosed as required by the competent authorities. Thus, information that potentially influences investor decisions is provided in real-time. (3) The Company maintains a smooth communication channel with its suppliers and stakeholders, including partner banks, other creditors, employees, and clients. (4) Continuing education of Directors and Supervisors: The members of the Company's Board of Directors possess professional backgrounds and practical experience in business management; they occasionally attend relevant educational courses. The continuing education	

Assessed areas	State of Operations (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			status of the Board of Directors in 2016 and 2017 to the print date of the Prospectuses are displayed in the following table. (5) Implementation status of risk management policies and standard risk measures: The Company emphasizes the importance of risk management, complies with relevant laws and regulations in executing various policies, and establishes internal auditors who ensure that the execution of relevant policies conforms to regulations. (6) Accountability insurance for Directors and Supervisors: The Company has purchased relevant accountability insurance for its Directors, Supervisors, and managerial officers.	

The Continuing Education Status of Directors and Supervisors in 2016 and 2017 to the date of this Annual Report				
Title	Name	Organizer	Course name	Hours
Chairman	Chung-Ming Huang	Taiwan Academy of Banking & Finance	Forum on Corporate Governance- How to Adapt Tax Reform	3 hours
Chairman	Chung-Ming Huang	Taiwan Academy of Banking & Finance	Forum on Corporate Governance-Anti- Tax Avoidnece	3 hours
Chairman	Chung-Ming Huang	Taiwan Corporate Governance Association	Group Governance	3 hours
Chairman	Chung-Ming Huang	Taiwan Corporate Governance Association	Using Corporate Governanve to Reinforce Corporate Opearation	3 hours
Director	Chih-Hung Ouyang	Taiwan Corporate Governance Association	Corporate Governance Observation from the Corporate Reform of Closely Held Corportions (Advanced)	3 hours
Director	Chih-Hung Ouyang	Taiwan Corporate Governance Association	Director's Fiduciary Obligation and Business Judgment Rule (Advanced)	3 hours
Director	Chih-Hung Ouyang	Taiwan Corporate Governance Association	Group Governance	3 hours
Director	Chih-Hung Ouyang	Taiwan Corporate Governance Association	Using Corporate Governanve to Reinforce Corporate Opearation	3 hours
Director	Chin-Huo Huang	Taiwan Corporate Governance Association	Corporate Governance Observation from the Corporate Reform of Closely Held Corportions	3 hours
Director	Chin-Huo Huang	Taiwan Corporate Governance Association	Director's Fiduciary Obligation and Business Judgment Rule	3 hours
Director	Chin-Huo Huang	Taiwan Corporate Governance Association	Group Governance	3 hours
Director	Chin-Huo Huang	Taiwan Corporate Governance Association	Using Corporate Governanve to Reinforce Corporate Opearation	3 hours
Director	Changchun Investment Co. Ltd. Representative:	Accounting Research and Development Foundation	Corporate governace and securities legislation - the latest tax regulations and policy tendency	3 hours

	Chih-Chuan Chen			
Director	Changchun Investment Co. Ltd. Representative: Chih-Chuan Chen	Taiwan Corporate Governance Association	Obligation and responsiblity of company and directors under Securities Exchange Act	3 hours
Director	Changchun Investment Co. Ltd. Representative: Chih-Chuan Chen	Accounting Research and Development Foundation	Amendation of corporate governace appraisal and Company Law	3 hours
Director (Note 1)	Chun-Hao Cheng	Taiwan Corporate Governance Association	Corporate Governance Observation from the Corporate Reform of Closely Held Corportions	3 hours
Director (Note 1)	Chun-Hao Cheng	Taiwan Corporate Governance Association	Director's Fiduciary Obligation and Business Judgment Rule	3 hours
Director (Note 1)	Chun-Hao Cheng	Taiwan Corporate Governance Association	Corporate Governance Observation from the Corporate Reform of Closely Held Corportions (Advanced)	3 hours
Director (Note 1)	Chun-Hao Cheng	Taiwan Corporate Governance Association	Director's Fiduciary Obligation and Business Judgment Rule (Advanced)	3 hours
Director (Note 1)	Chun-Hao Cheng	Taiwan Corporate Governance Association	Group Governance	3 hours
Director (Note 1)	Chun-Hao Cheng	Taiwan Corporate Governance Association	Using Corporate Governanve to Reinforce Corporate Opearation	3 hours
Independent Director	Yi-Hsiang Huang	Taiwan Corporate Governance Association	Corporate Governance Observation from the Corporate Reform of Closely Held Corportions	3 hours
Independent Director	Yi-Hsiang Huang	Taiwan Corporate Governance Association	Director's Fiduciary Obligation and Business Judgment Rule	3 hours
Independent Director	Yi-Hsiang Huang	Taiwan Corporate Governance Association	Group Governance	3 hours
Independent Director	Yi-Hsiang Huang	Taiwan Corporate Governance Association	Using Corporate Governanve to Reinforce Corporate Opearation	3 hours
Independent Director	Shun-Jen Cheng	Securities and Future Institute	2016 Forum on Corporate Governance – Insider Trading and Corporate Social Resposibilities	3 hours

Independent Director	Shun-Jen Cheng	Taiwan Corporate Governance Association	Corporate Governance Observation from the Corporate Reform of Closely Held Corportions	3 hours
Independent Director	Shun-Jen Cheng	Securities & Futures Institute	Director’s Fiduciary Obligation and Business Judgment Rule	3 hours
Independent Director	Shun-Jen Cheng	Taiwan Corporate Governance Association	Group Governance	3 hours
Independent Director	Shun-Jen Cheng	Taiwan Corporate Governance Association	Using Corporate Governanve to Reinforce Corporate Opearation	3 hours
Supervisor	Chun-Nan Chen	Taiwan Academy of Banking & Finance	Forum on Corporate Governance- How to Adapt Tax Reform	3 hours
Supervisor	Chun-Nan Chen	Securities and Future Institute	2016 Forum on Corporate Governance – Insider Trading and Corporate Social Resposibilities	3 hours
Supervisor	Chun-Nan Chen	Taiwan Corporate Governance Association	Group Governance	3 hours
Supervisor	Chun-Nan Chen	Taiwan Corporate Governance Association	Using Corporate Governanve to Reinforce Corporate Opearation	3 hours
Supervisor	Yung-Liang Huang	Taiwan Academy of Banking & Finance	Forum on Corporate Governance- How to Adapt Tax Reform	3 hours
Supervisor	Yung-Liang Huang	Taiwan Corporate Governance Association	Corporate Governance Observation from the Corporate Reform of Closely Held Corportions	3 hours
Supervisor	Yung-Liang Huang	Taiwan Corporate Governance Association	Director’s Fiduciary Obligation and Business Judgment Rule	3 hours
Supervisor N	Yung-Liang Huang	Taiwan Corporate Governance Association	Group Governance	3 hours
Supervisor N	Yung-Liang Huang	Taiwan Academy of Banking & Finance	Using Corporate Governanve to Reinforce Corporate Opearation	3 hours

Note 1: Chun-Hao Cheng resigned Supervisor on 2016. 03.09 and was elected as Director on 2016. 05.31.

(4) If the company has established a remuneration committee, it shall disclose the composition, duties, and operation of the committee

1. Members of the Compensation Committee

Position	Criteria / Name	Has at least 5 years of work experience and meets one of the following professional qualifications			Meet the independence criteria (Note 1)								Number of other public companies in which the member also serves as a member of their compensation committee	Note (Note 2)
		An instructor or higher position in the epartment of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate therefor	Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Yi-Hsiang Huang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None.
External committee member	Ching-Wen Chuang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
External committee member	Liang-Chien Li	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	

Note 1: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" in the corresponding boxes.

(1) Not an employee of the Company or any of its affiliates;

(2) Not a Director or Supervisor of the Company or any of its affiliates; The same does not apply, however, in cases where the committee member is an Independent Director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50 percent of the voting shares.

(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.

(5) Not a Director, Supervisor or employee of an institutional shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.

(6) Not a Director, Supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional or an owner, partner, Director, Supervisor, manager or a spouse of the above mentioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company.

(8) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

Note 2: If the member is a Director, please describe whether it conforms to Article 6-5 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

2. State of operations of the compensation committee

(A) The Compensation Committee comprises 3 members.
Current term of office: July 15, 2014–June 10, 2017; a total of 2 (A) meetings of the Compensation Committee were held in the most recent year. The members' qualifications and attendance were as follows:

Title	Name	Attendance in person (B)	By proxy Frequency	Attendance rate (%) (B/A)	Note

Convenor-Independent Director, Brogent	Yi-Hsiang Huang	2	0	100.00	-
Committee-member-External committee member	Ching-Wen Chuang	2	0	100.00	-
Committee member-External committee member	Liang-Chien Li	2	0	100.00	-

Other matters that require reporting:

1. If the Board of Directors did not adopt or revised the recommendations of the compensation committee, describe the date of the board meeting, term of the board, agenda item, resolutions adopted by the board, and actions taken by the company in response to the opinion of the compensation committee (if the remunerations approved by the Board of Directors are better than those recommended by the compensation committee, describe the difference and reasons): None.
2. If with respect to any resolution of the compensation committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members: None.

(5) Implementation of corporate social responsibility (CSR)

Assessed areas	State of Operations (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary (Note 2)	
1. Corporate governance implementation (1) Does the company establish corporate social responsibility policy or system and examine its implementation results? (2) Does the company provide educational training on corporate social responsibility on a regular basis? (3) Does the company establish a dedicated or concurrent unit in charge of promoting CSR with senior management authorized by the board to take charge of proposing CSR policies and reporting to the board? (4) Does the company establish a reasonable salary remuneration policy, and integrate the employee performance evaluation system with its CSR policy, and establish an effective reward and disciplinary system?	V		(1) The Company has established Corporate Social Responsibility Best Practice Principles and examined its implementation effectiveness. (2) The departments related to the social responsibility of the Company all handle relevant matters according to their duties. (3) The Company has established the Ethical Code of Conducts for Directors, Supervisors, and Managerial Officers. (4) The Company has established Work Rules Guideline for Salary Management and Guideline for Performance Management, which clearly specifies relevant effective rewarding and punishment systems.	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
2. Fostering a sustainable environment (1) Does the company endeavor to improve the efficiency of resource utilization and use recycled materials which have a low impact on the environment? (2) Does the company establish a proper environmental management system based on the characteristics of the industry? (3) Does the company monitor the impact of climate change on business operations, conduct	V		(1) The Company generally endeavor to increase the efficiency of resource utilization and use environmentally friendly materials as much as possible to reduce the impact on the environment. (2) The Company has established relevant management regulations for the safety of working environment. (3) The Company often holds internal promotional	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Assessed areas	State of Operations (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary (Note 2)	
greenhouse gas inventory and formulate strategies for energy conservation and carbon and greenhouse gas reduction?			activity, reminds employees to switch off lights when leaving a room and classify their trash, to facilitate reducing the environmental impact of the company's operation.	
3. Upholding public interests (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Has the company set up an employee hotline or grievance mechanism to handle complaints properly? (3) Does the company provide a safe and healthy working environment and provide employees with regular safety and health training? (4) Does the company set up a channel for communicating with employees on a regular basis, and reasonably inform employees of any significant changes in operations that may have an impact on them? (5) Does the company set up effective career development and training programs for its employees? (6) Does the company establish any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service? (7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(1) The Company adheres to the labor regulations in the Labor Standards Act to protect employees' legal rights. In addition, the Company disburses pension fund and labor welfare fund in accordance with law. Concurrently, the Company and its employees have also established employee welfare committee and hold employer–employee meetings to implement various welfare activities and coordinate employer–employee relationship, thereby promoting matters related to employer–employee cooperation. (2) Yes, the Company has set up employee grievance mailbox and has designated personnel to handle relevant matters. (3) The Company endeavors to provide a safe and healthy working environment and provide employees with regular safety and health training. (4) The Company regularly convenes meetings to present and communicate the Company’s business development direction and strategies to its employees. (5) The Company has two training programs, namely Supervisors/regular training and general	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Assessed areas	State of Operations (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary (Note 2)	
(8) Does the company evaluate the records of suppliers' impact on the environment and society before doing business with the supplier? (9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impact on the environment and society?			employee/occasional training. The content of training depends on the job position of the employees. (6) There are no relevant operations currently. (7) Company products are designed and manufactured in accordance with standard regulations of various countries. These products have also been certified by the following: China: GB-8408 Amusement Device Safety Code(Amusement device satety Cood) Europe: EN-13814(Fairground and amusement park machinery and Structure-Safety) USA and Canada: ASTM-F2291 (Standard Practice for Design of Amusement and Devices) (8) No, a list of supplier evaluation standards was added. (9) The Company upholds the principle of ethical corporate management and collectively cooperate with the suppliers in development projects to facilitate coexistence and collective prosperity.	
4. Enhancing information disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	V		The Company discloses relevant information regarding its corporate social responsibility on its website, annual report, and the prospectuses.	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Assessed areas	State of Operations (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary (Note 2)	
5. If the Company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: Not applicable				
6. Other important information to facilitate a better understanding of the company's corporate social responsibility practices: None.				
7. If the corporate social responsibility reports have received assurance from external institutions, they should state so below: Not applicable				

Note 1: The operating condition shall be described in the Summary column regardless of whether "Yes" or "No" is selected.
Note 2: For companies that have compiled CSR reports, the summary may specify the CSR reporting method and page numbers.

(6) Implementation of ethical corporate management

Assessed areas	State of Operations (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policy and approaches (1) Does the company declare its ethical corporate management policies and procedures in its rules and external documents, as well as the commitment of its board and management to implementing the management policies? (2) Does the company establish policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, and implement the policies? (3) Does the company establish appropriate precautionary measures for operating activities with higher risk of unethical conducts provided in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies or within its scope of business?	V		(1) The Company strictly adheres to the laws and regulations stipulated in the Company Act, Securities and Exchange Act, Business Entity Accounting Act, and other regulations for listed and OTC companies. The Company has formulated internal control systems according to regulations, established internal auditing office, and ensured the effective implementation of relevant operations, to realize the fundamental concepts of ethical corporate management. (2) The Company has formulated Ethical Corporate Management Principle according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and promoted the importance of ethical code of conduct, educating each employee on the company's core value and compliance systems. The Company regularly offers training programs. (3) The Company requires its Directors, Supervisors, managerial officers, and employees to refrain from engaging in bribery or providing illegal political donations during a	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Assessed areas	State of Operations (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
			business activity. The Company stipulates that they may not directly or indirectly provide or receive unreasonable gifts, treatments, or other improper benefits to prevent employees from pursuing personal interests at the expense of the company's rights and interests.	
2. Implementation of ethical corporate management (1) Does the company evaluate the ethical records of parties it does business with and stipulate ethical conduct clauses in business contracts? (2) Does the company establish a dedicated (concurrent) unit under the Board of Directors to promote ethical corporate management, and report the status of implementation to the board? (3) Does the company establish policies to prevent conflicts of interest, provide appropriate channels for filing related complaints and implement the policies accordingly? (4) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, and are those systems audited by either internal auditors or CPAs on a regular basis?	V		(1) The Company's clients and suppliers are mostly well-known companies whose ethical management information is easily accessible. When signing a business contract, the contract also incorporates regulations regarding ethical management. (2) The Company invites Supervisors to attend the meeting of the Board of Directors, thereby maximizing the supervisory functions of Supervisors. (3) The Company has an Internal Material Information Processing Operating Procedure, specifying that Directors, Supervisors, managerial offices, and employees may not leak internal material information to others, inquire the company's internal material information from others, or collate unpublished internal material information of companies that are irrelevant to their job duties. They are also prohibited from leaking the company's	No deviation from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Assessed areas	State of Operations (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(5) Does the company hold internal and external educational trainings on operational integrity regularly?			unpublished internal material information to others. (4) To implement ethical management, the Company has established effective accounting system and internal control system, and has internal auditors regularly check the situation regarding compliance with the aforementioned systems. To implement ethical management, the Company has established effective accounting system and internal control system, and has internal auditors regularly check the situation regarding compliance with the aforementioned systems. (5) The Company promotes the concepts of ethical management in Director and Supervisor training and managerial meetings.	
3. Operation of whistleblowing system (1) Does the company establish concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused? (2) Does the company establish standard operating procedures for investigating reported cases and related confidentiality mechanism? (3) Does the company provide proper whistleblower protection?	V		(1) The Company has established whistleblowing channels and developed relevant punishment systems and reporting mechanisms. (2) Yes. (3) The Company adopts an anonymous reporting policy.	No departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."

<table>
<tr><th rowspan="2">Assessed areas</th><th colspan="3">State of Operations (Note 1)</th><th rowspan="2">Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>4. Enhancing information disclosure
(1) Does the company disclose information regarding the company's ethical corporate management principles and implementation status on its website and the Market Observation Post System?</td><td>V</td><td></td><td>(1) The Company has set up a website for disclosing corporate governance information.</td><td>No departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."</td></tr>
<tr><td colspan="5">5. If the company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", describe any discrepancy between the principles and their implementation: None.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: (e.g., inspect and revise existing ethical management principles) None</td></tr>
</table>

Note 1: The operating condition shall be described in the Summary column regardless of whether "Yes" or "No" is selected.

(7) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information: The Company has not formulated corporate governance principles but has disclosed rules pertaining to corporate governance on the Market Observation Post System, such as: Ethical Corporate Management Principles and Remuneration Committee Organization Rules.

(8) Other significant information which may improve the understanding of corporate governance and operation: None.

(9) The following matters pertaining to the implementation status of internal control systems should be disclosed:

1. Statement on Internal Control: (Please refer to Appendix 1).
2. The Company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

(10) Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: None.

(11) Important resolutions adopted in shareholders meeting and Board of Directors' meeting in the past year and up to the date of report.

1. Shareholder’s Meeting

Date	Type of Meeting	Resolutions	Implementation Status
2016.05.31	Shareholders' meeting	A. Matters for Discussion Amendment of clauses of the Articles of Incorporation B. Reporting Items (1) 2015 business report and financial report (2) 2015 Supervisor’s Review Report (3) 2015 Employee , Supervisor and Director Remuneration Allocation Report (4)Report on Issuing Private Placement Shares C. Passed Items (1) 2015 business report and financial report (2) 2015 Profit Allocation Plan D.Vote Items To elect two director to the Board E. Discussion Items To Pass the Dissolution of Business Strife	All items passed and executed as scheduled. Newly elected directors: (1) Chun-Hao Cheng (2) Changchun Investment Co. Ltd. Representative: Chih-Chuan Chen

Date	Type of Meeting	Resolutions	Implementation Status
		Limitation Clause of New Director and Its Representative	

2. Board of Directors' Meeting

Date	Type of Meeting	Resolutions
2016.01.27	Board of Directors	Passed the Year-End Bonus Disbursement Principle and Manager Year-End Bonus.
		Passed the eveluatio plan of the independence of CPAs
		Passed the authorization of Grant Thorton as 2016 Auditor fortheCompany'sfinancial report.
		Passed the treasury share transfer to employee plan.
		Passed the amended plan the 3rd stage of Kaohsiung Soft Park investment plan.
		Passed「Enhancing the corporate-made financial report」plan.
2016.03.09	Board of Directors	Passed the 2015 Statement on Internal Control.
		Passed the 2015 Director and Employee Bonus Plan
		Passed the 2015 business report and financial statements.
		Passed the 2015 earnings distribution plan.
		Passed the increased 2 seats on the Board of Directors.
		Passed the Dissolution of Business Strife Limitation Clause of New Director and Its Representative.
		Passed the proposed calling of 2016 general shareholders' meeting.
		Passed the Resignation of the Supervisor Chun-Hao Cheng
2016.04.20	Board of Directors	Passed the 2015 Director and Employee Remuneration Plan
		Passed the Adjument of the Manager Remuberation
		Passed the Dissolution of Business Strife Limitation Clause of Managers
		Passed the Amendment of articles of the Articles of Incorporation
2016.05.11	Board of Directors	Passed the 2016 First Quarter Financial Report.
2016.06.22	Board of Directors	Passed the resolution on determing the 2016 ex-dividend date and payable date
		Passed the 2015 Director and Employee Bonus Plan
2016.08.10	Board of Directors	Passed the 2016 Second Quarter Financial Report.
		Passed the financing application plan
2016.11.09	Board of Directors	Passed the 2016 Third Quarter Financial Report.
		Passed the Amendment of 「Election Procedure for Directors and Supervisors」
		Passed the Endorsement and Guarantee Plan for Subsidiaries
		Passed the Endorsement and Guarantee Plan for Subsidiaries
		Passed the the financing limitexpansion plan
2016.12.28	Board of Directors	Passed the 2017 Operation Budget Plan.
		Passed the 2017 Audit Plan
		Passed the financing application plan
		Passed the amended plan of the 3rd stage investment in the Kaoshsiung Software Park
2017.01.18	Board of Directors	Passed the Year-End Bonus Disbursement Principle and Manager Year-End Bonus.
		Passed the Amended Plan of the Manager Remuberation
		Passed the eveluatio plan of the independence of CPAs
		Passed the authorization of Grant Thorton as 2017 Auditor for the Company's financial report.
		Passed the plan of establishing the exhibition center
		Passed the leasing plan of the operation equipment
		Passed the Endorsement and Guarantee Plan for Subsidiaries
		Passed the Endorsement and Guarantee Plan for Subsidiaries
2017.03.14	Board of Directors	Passed the 2016 Statement on Internal Control.
		Passed the 2016 Director and Employee Bonus Plan
		Passed the 2016 business report and financial statements.
		Passed the 2016 earnings distribution plan.
		Passed the amendment of the Article of Incorporation
		Passed the amendment of the Criteria for Handling Acquisition and Disposal of Assets
		Passed the amendment of the Rules and Procedures of Board of Directors Meetings
		Passed the re-election of the Board of Directors and Supervisors
		Passed the Dissolution of Business Strife Limitation Clause of New Director and Its Representative.
		Passed the proposed calling of 2017 general shareholders' meeting.

(12) Dissenting or qualified opinion of Directors or Supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None.

(13) Resignation and dismissal of managerial officers related to the financial report (including Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer and Audit Manager) in the past year and up to the date of report: Not applicable.

5. Information on fees to CPA

(1) Information on fees to CPA classification table

Name of accounting firm	CPA	Duration of audit	Note
Grant Thornton Taiwan	Yi-Shun Chang Yu-Chieh Lo	2016/1/1-2016/12/31	-

Unit: NT$1,000

Amount classification \ Public fee item		Audit fee	Non-audit fee	Total
1	<NT$2,000,000		✓	
2	NT$2,000,000 (incl.)–NT$4,000,000	✓		✓
3	NT$4,000,000 (incl.)–NT$6,000,000			
4	NT$6,000,000 (incl.)–NT$8,000,000			
5	NT$8,000,000 (incl.)–NT$10,000,000			
6	NT$10,000,000 or above			

(2) When nonaudit fees paid to affiliates, CPA firm, and CPA equal more than one-fourth of the audit fee, the audit and nonaudit fees amount and nonaudit service content shall be disclosed.

The Company's nonaudit fees are less than one-fourth of the audit fee; however, we voluntarily disclose the information as follows:

Name of accounting firm	CPA	Audit fee	Non-audit fee					Audit period	Note
			System design	Business registration	Human Resources	Others	Subtotal		
Grant Thornton Taiwan	Yi-Shun Chang, Yu-Chieh Lo.	2,850	-	9	-	44	53	2016/1/1-2016/12/31	Consultation fee

(3) If the company changes accounting firm and the amount of audit fee paid in the year of change is less than that in the year before: N/A.

(4) If the audit fee is more than 15% less than that paid in the previous year: N/A.

6. Changes to CPA information

(1) Concerning former CPA: Not applicable

(2) Concerning succeeding CPA : Not applicable.

(3) Previous CPA response to items in Article 10.5.1 and 10.5.2.3 of the Criteria: Not applicable.

7. The Chairman, President, financial or accounting manager of the company who had worked for the certifying accounting firm or its affiliated enterprise in the past year

None.

8. Share transfer by Directors, Supervisors, managers and shareholders holding more than 10% interests and changes to share pledging by them in the past year and up to the date of report

(1) Changes to the share rights of Directors, Supervisors, managerial officers, and major shareholders

Title	Name	2016		Current year up to April 02	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Chung-Ming Huang	—	—	—	—
Director (President)	Chih-Hung Ouyang	200,000	—	—	—
Director	Chin-Huo Huang	—	—	—	—
Director	Changchun Investment Co. Ltd.	—	—	—	—
Director Representative	Chih-Chuan Chen	—	—	—	—
Director (Note 1)	Chun-Hao Cheng				
Supervisor	Chun-Nan Chen	—	—	—	—
Supervisor	Yung-Liang Huang	17,000	—	—	—
Director of Technology Center	Teng-Hung Lai	(1,000)	—	—	—
Chief Engineer & Director of Project Center	Yi Chung Huang	18,000	—	—	—
Independent Director	Yi-Hsiang Huang	—	—	—	—
Independent Director	Shun-Jen Cheng	—	—	—	—
Director of Administration Center	Sui-Chuan Lin	50,000	120,000	—	—
Audit Manager	Hui-Ping Li	10,000	—	—	—

Note 1: Chun-Hao Cheng resigned Supervisor on 2016.03.09 and was elected as Director on 2016.05.31.

(2) Information on relative person of share transfer as related party: None.

(3) Information on relative person of share pledging as related party:None.

9. Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

April 02, 2017; Unit: Shares; %

NAME	SHAREHOLDING		SHARES HELD BY SPOUSE AND CHILDREN		TOTAL SHAREHOLDING BY NOMINEE ARRANGEMENT		TITLES, NAMES AND RELATIONSHIPS BETWEEN TOP 10 SHAREHOLDERS (RELATED PARTY, SPOUSE, OR KINSHIP WITHIN THE SECOND DEGREE).		NOTE
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name	Relationship	—
Sen-Hao Cheng	3,583,901	8.02	—	—	—	—	—	—	—
Chih-Hung Ouyang	2,822,581	6.32	80,308	0.18	—	—	Fu Wu Investment Ltd.	Legal representative	—
Chung-Ming Huang	2,381,654	5.33	269,784	0.60	—	—	—	—	—
Ruentex Development Co. Ltd. Representative: Chang-Cheng Chien	1,975,445	4.42	—	—	—	—	—	—	—
Ruentex Industries Ltd. Representative: Chih-Fan Wang	1,975,445	4.42	—	—	—	—	—	—	—
Changchun Investment Co. Ltd. Representative: Chuan-Thai Cheng	1,706,565	3.82	—	—	—	—	—	—	—
Cathay Life Insurance Ltd.Representative: Hong-Tu Tsai	1,632,884	3.65	—	—			—	—	—
Fu Wu Investment Ltd. Representative: Chih-Hung Ouyang	1,173,879	2.63	—	—	—	—	Chih-Hung Ouyang	Legal representative	—
Yung-Liang Huang	1,050,466	2.35	—	—	—	—	—	—	—
Chin-Huo Huang	912,256	2.04	200,771	0.45	—	—	—	—	—

10. The shareholding of the Company, Director, Supervisor, management and an enterprise that is directly or indirectly controlled by the Company in the invested company, and consolidate the shareholding percentage:

Investee Company	Investor Company		Director, Supervisor, Manger anddirector indirect investment		Total	
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage
Brogent Creative Inc.	900,000	60%	-	-	900,000	60%
Brogent Mechanical Inc.	6,545,000	61.11%	-	-	6,545,000	61.11%
Brogent Hong Kong Limited	-	100%	-	-	-	100%
Brogent Global Inc.	30,000,000	100%	-	-	30,000,00	100%
Brogent Rides (Shanghai) Limited	-	100%	-	-	-	100%
Brogent Creative (Shanghai) Limited	-	100%	-	-	-	100%
Brogent Japan Entertainment Joint-Stock Corporation		50%				50%

IV. Placement Situation

1. Company capital and share capital

(1) Sources of capital property other than cash is paid by subscribers

1. Type of stock

April 02, 2017; Unit: Shares

Type of stock	Authorized capital			Note
	Shares issued and outstanding	Unissued shares	Total	
Ordinary shares	44,677,977	5,322,023	50,000,000	OTC shares (Including 434,000 treasury shares)

2. Sources of capital

April 02, 2017; Unit: 1,000 shares; NT$1,000

Year/month	Issue price (NTD)	Authorized capital		Paid-in capital		Note		
		Shares	Amount	Shares	Amount	Sources of capital property other than cash is paid by subscribers	Subscriptions paid with property other than cash	Others
2001.10	10	5,000	50,000	1,500	15,000	Cash set up	None.	Approval by Kaoshifu Jianergongzi Letter No. 09007412400
2002.07	10	5,000	50,000	5,000	50,000	Capital increase of NT$35,000,000	None.	Approval by Kaoshifu Jianergongzi Letter No. 09109112601
2003.10	10	6,000	60,000	6,000	60,000	Capital increase of NT$10,000,000	None.	Approval by Kaoshifu Jianergongzi Letter No. 09205920530
2004.09	10	12,000	120,000	8,106	81,060	Capital increase of	None.	Approval by Kaoshifu Jianergongzi Letter No.

Year/month	Issue price (NTD)	Authorized capital		Paid-in capital		Note		
		Shares	Amount	Shares	Amount	Sources of capital property other than cash is paid by subscribers	Subscriptions paid with property other than cash	Others
						NT$21,060,000		09300940610
2005.03	10	12,000	120,000	9,610	96,100	Capital increase of NT$15,040,000	None.	Approval by Kaoshifu Jianergongzi Letter No. 09400391490
2005.05	10	12,896	128,960	12,896	128,960	Capital increase of NT$32,860,000	None.	Approval by Kaoshifu Jianergongzi Letter No. 09400469250
2006.08	10	20,000	200,000	17,442	174,420	Capital increase of NT$45,460,000	None.	Approval by Kaoshifu Jianergongzi Letter No. 09500652270
2010.03	10	20,000	200,000	19,612	196,120	Capital increase of NT$21,700,000	None.	Approval by Kaoshifu Jianergongzi Letter No. 09900452210
2011.06	10	30,000	300,000	21,356	213,560	Stock option conversion of NT$17,440,000	None.	Approval by Kaoshifu Siweijingshanggongzi Letter No. 10001224680
2011.09	10	30,000	300,000	22,626	226,260	Capital increase of NT$12,700,000	None.	Approval by Kaoshifu Siweijingshanggongzi Letter No. 10001356410
2012.10	10	30,000	300,000	25,455	254,550	Capital increase of NT$28,290,000	None.	Approval by Jingguangzhengfazi Letter No. 1010048593
2013.10	10	30,000	300,000	26,727.75	267,277.5	Dividends and bonuses of NT$12,727,500	None.	Approval by Jingjiasanshangzi Letter No. 10200112100
2014.02	10	30,000	300,000	27,470.02	274,700.2	First domestic conversion of convertible corporate bond of NT$1,274,400 Second domestic conversion of convertible corporate bond of NT$6,148,300	None.	Approval by Jingjiasanshangzi Letter No. 10300015650
2014.05	10	30,000	300,000	29,013.43	290,134.3	First domestic conversion of convertible corporate bond of NT$9,103,500 Second domestic conversion of convertible corporate bond of NT$6,660,500	None.	Approval by Jingjiasanshangzi Letter No. 10300054610
2014.07	10	50,000	500,000	30,888.77	308,887.7	First domestic conversion of convertible corporate bond of NT$10,350,100	None.	Approval by Jingjiasanshangzi Letter No. 10300090820

Year/month	Issue price (NTD)	Authorized capital		Paid-in capital		Note		
		Shares	Amount	Shares	Amount	Sources of capital property other than cash is paid by subscribers	Subscriptions paid with property other than cash	Others
						Second domestic conversion of convertible corporate bond of NT$8,403,400		
2014.09	10	50,000	500,000	33,635.77	336,357.7	Capital reserve transfer increase	None.	Approval by Jingjiasanshangzi Letter No. 10300104170
2014.10	10	50,000	500,000	33,679.98	336,799.8	First domestic conversion of convertible corporate bond of NT$442,100	None.	Approval by Jingjiasanshangzi Letter No. 10300137580
2015.01	10	50,000	500,000	39,679.98	396,799.8	Cash issue	None.	Approval by Jingjiasanshangzi Letter No. 10400008080
2015.06	10	50,000	500,000	40,709.98	407,099.8	Cash issue	None	Approval by Jingjiasanshangzi Letter No. 10400066620
2015.07	10	50,000	500,000	44,677.98	446,779.8	Stock dividends	None	Approval by Jingjiasanshangzi Letter No. 10400074690

(2) Shareholder structure

April 02, 2017

Shareholder structure quantity	Government institution	Financial institutions	Other juristic persons	Individual investors	Foreign institutions and foreigners	Total
Number of Shareholders	0	14	42	2,931	53	3,040
No. of shares held	0	1,880,919	12,262,957	28,217,462	2,316,639	44,677,977
Shareholding percentage (%)	0.00%	4.21%	27.45%	63.16%	5.19%	100.00%

(3) Dispersion of equity ownership

Ordinary shares

April 02, 2017

Shares	Number of shareholders	Shares held	Shareholding percentage (%)
1~ 999	872	151,014	0.34%
1,000~ 5,000	1,621	3,056,887	6.84%
5,001~ 10,000	209	1,521,691	3.41%
10,001~ 15,000	87	1,085,589	2.43%
15,001~ 20,000	45	815,727	1.83%
20,001~ 30,000	72	1,758,809	3.94%
30,001~ 40,000	32	1,092,321	2.44%
40,001~ 50,000	15	655,785	1.47%
50,001~ 100,000	34	2,444,087	5.47%
100,001~ 200,000	21	2,873,248	6.43%
200,001~ 400,000	11	2,784,773	6.23%
400,001~ 600,000	2	841,000	1.88%
600,001~ 800,000	7	4,680,909	10.48%
800,001~1,000,000	3	2,613,317	5.85%
>1,000,001	9	18,302,820	40.97%
Total	3,040	44,677,977	100.00%

(4) List of major shareholder (shareholders holding more than 5% of shares or top ten shareholders)

April 02, 2017

Shares / Name of major shareholder	No. of shares held	Shareholding percentage (%)
Sen-Hao Cheng	3,583,901	8.02%
Chih-Hung Ouyang	2,822,581	6.32%
Chung-Ming Huang	2,381,654	5.33%
Ruentex Development Co. Ltd.	1,975,445	4.42%
Ruentex Industries Ltd.	1,975,445	4.42%
Changchun Investment Co. Ltd.	1,706,565	3.82%
Cathay Life Insurance Ltd.	1,632,884	3.65%
Fu Wu Investment Ltd.	1,173,879	2.63%
Yung-Liang Huang	1,050,466	2.35%
Chin-Huo Huang	912,256	2.04%

(5) Stock price, net worth, earnings, dividends and related information (2015-2016)

Unit: NT$

Year / Item			2015	2016	Current year up to March 31, 2017
	Maximum		448	343	228
	Minimum		199	164.5	198.5
	Average		342.31	242.61	217.32
	Basic		54.72	58.06	-
	Diluted		52.25	(Not Resolved)	(Note 2)
Earnings per share	Weighted average shares		43,712	44,142	44,244
	Earnings per share		2.57	2.30	1.01
Dividends per share	Cash dividend		2.5	(Note 1)	(Note 2)
	Stock grants	-	-	-	(Note 2)
		-	-	-	(Note 2)
	Accumulated unpaid dividend		-	-	(Note 2)
Return analysis	Price-earnings ratio		133.19	105.48	(Note 2)
	Price-dividend ratio		136.92	97.04	(Note 2)
	Cash dividend yield		0.0073	0.0103	(Note 2)

Note 1: The 2016 proposal of surplus distribution has not been resolved in the shareholders' meeting.

Note 2 : Earnings not yet calculated.

(6) Dividend policy and implementation status

1. Dividend policy

The Company shall pay dividends or bonuses when there is profit. Any unappropriated earnings may be distributed as employee bonus in the sum of 5% to 15% The Director and Supervisor remuneration may not exceed 2%. If there are accumulated losses of the company , the earnings should be reserved in advance to make up the amount. Employee bonus shall be paid by stock or cash; nevertheless, the criteria of qualified employee should be determined by the Board of Directors.

When allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, until the legal capital reserve has equaled the total capital of the Company; the remaining balance and unappropriated earnings for the year shall be adjusted. Then, set aside special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge and to satisfy business needs of the Company. and the Board shall propose a distribution plan for any balance remaining, and such balance shall be distributed in accordance with the resolution of the shareholders' meeting.

The Company is situated in a changing industrial environment, wherein the company life cycle is at a stable growth stage. Considering the Company's capital requirement for continuous expansion and business operations, as well as long-term financial planning to satisfy shareholders' needs for cash flow, the Company's dividend policy was based on the residual dividend policy in the relevant laws and regulations of the Company Act. The future capital requirement is measured according to the future capital budget plan of the Company; then, set aside the capital required for earnings financing, and the remaining earnings shall be distributed by way of cash or stock dividend. Particularly, cash dividend may not exceed 10% of the total dividend.

2. Dividend distribution to be proposed to the shareholders' meeting:

The Company's 2016 earnings distribution plan was approved by the Board on March 14, 2017. Shareholders' meeting has not yet been held. The 2016 earnings distribution plan is as follows:

	Amount (NT$1,000)	Dividends per share (NT$)
Cash dividend	110,610	2.5

(7) Effect of the proposed stock dividends (to be adopted by the Shareholders' Meeting) on the operating performance and earnings per share:

The Company did not release financial forecasts in 2016 and hence it is not applicable.

(8) Employee bonus and remuneration to Directors and Supervisors

1. Dividend Policy for terms stated in the Articles of Incorporation regarding employees' bonus and Directors' and Supervisors' remuneration:

   Please refer to the following: 4. Placement situation: 1. Company capital and share capital, and (6) Company share dividend policy and implementation status.

2. Basis for estimating the amount of employee bonuses and remuneration to Directors/Supervisors, basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

   The Company estimates employee bonus and remunerations to Directors and Supervisors according to the annual net profit, legal capital reserve, and the value specified in the Article of Incorporation. The estimated values shall be recognized as the expense for the current period. If thereafter, the actual distribution differs from the estimated values in the resolution of shareholders' meeting, then it shall be regarded as loss for the next year and shall not influence the ratified financial report.

3. Earnings distribution proposal has passed the Board of Directors but not the resolution of the shareholders' meeting:

   The Company's 2016 earnings distribution was approved by the Board of Directors' meeting on March 14, 2017. The distributed employee bonus was NT$13,799,000 and Director and Supervisor remuneration was NT$2,760,000, and these values did not differ from the recognized expense and the annual estimated amount.

4. Earnings distribution proposal passed in the resolution of the shareholders' meeting:

Not applicable. The Company's 2016 earnings distribution plan was approved by the Board of Directors' meeting on March 14, 2017. Shareholders' meeting has not yet been held.

5. Describe, where applicable, the reason and handling approach for the difference (including the number of shares, the monetary amount, and the face value of shares distributed) between the actual distribution of employee bonus and remunerations to Directors and Supervisors and the approved employee bonus and remunerations to Directors and Supervisors:

Not applicable.

(9) Buyback of Treasury Stock:

April 02, 2017

Treasury stocks: Batch Order	1 st Batch
Purpose of buy-back	Transfer to employees
Timeframe of buy-back	2015.07.22 to 2015.09.01
Price range	NTD 170.00 to NTD 488.00
Class, quantity of shares bought back	1,000,000 Ordinary Shares
Value of shares bought-back (in NT$ thousands)	266,071,991
Shares sold/transferred	566,000
Accumulated number of company shares held	434,000
Percentage of total company shares held (%)	0.97%

2. Corporate bond (including overseas corporate bond)

(1) Issued corporate bond:

First domestic secured corporate bond and second domestic unsecured corporate bond have all been converted into ordinary share by the end of December 31, 2014.

(2) Information of corporate bond conversion:

First domestic secured corporate bond and second domestic unsecured corporate bond have all been converted into ordinary share by the end of December 31, 2014

(3) Issued exchanged corporate bond: None.

(4) Adopt shelf registration method to collect and issue ordinary corporate bond: None.

(5) Issued subscribed corporate bond: None.

(6) Private placement of corporate bonds in the past three years to the date of the annual report: None.

3. Issuance of preferred stocks

None.

4. Issuance of global depositary receipts (GDR)

None.

5. Exercise of employee stock option plan (ESOP)

None.

6. Restricted stock awards

None.

7. Merger and acquisition

None.

8. Issuance of new shares for acquisition of shares of other companies

None.

9. Implementation of capital allocation plan

Expand Operation Expenses	Expenditure	Expected	NT$817,240,000	The total amount of 2015 seasoned equity offering was NT$1,757,240,000. Among it, NT$817,240,000 was used mainly for operation expenses. The plan was executed as scheduled; there were no major abnormal events.
		Actual	NT$366,943,000	
	Accumulated implementation progress	Expected	100%	
		Actual	44.90%	

Other expenses	Expenditure	Expected	NT$940,000,000	The total amount of 2015 seasoned equity offering was NT$1,757,240,000. Among it, NT$940,000,000 was used for establishing affiliates. The fund was used up as expected; there were no major abnormal events.
		Actual	NT$418,063,000	
	Accumulated implementation progress	Expected	100%	
		Actual	44.47%	

V. Business Overview

I. Business Activities

(1) Business Scope

1. Company's primary business activity

Information software retailer	Electronic material retailer	Computer installation
Information software wholesaler	Electronic material wholesaler	Information software service
Information processing service	Electronic information supply service	Arts service
General advertising service	Sound publishing	Arts performance activity
Automated control equipment engineering	Machinery installation	Wholesale of cultural education, musical instrument, and educational entertainment necessities
Machinery wholesaler	Computer and business machinery wholesaler	Retailer of cultural education, musical instrument, and educational entertainment necessities
Electronic retailer	Computer and business machinery retailer	International trade
Intellectual property	Product design	Landscape and interior design
Machinery retailer	Other machinery retailer	Except for approved business activities, may engage in activities that are not prohibited or restricted by law

2. Company's primary products and their operating weight

Unit: NT$1,000

Product Category	2015		2016	
	Net revenue	Operating weight	Net revenue	Operating weight
Simulator rides	675,537	95.76	818,109	92.79
Mobile device software	593	0.09	-	-
Others (Note)	29,294	4.15	63,561	7.21
Net revenue	705,424	100.00	881,670	100.00

Note: Others primarily refer to income from repair, maintenance, and labor affairs.

3. The Company's products

Simulator Rides are the Company’s main product. Since moving to the Kaohsiung Software Park in 2013, the Company has gradually placed its business focus on the media-based attraction (MBA) industry, meaning that we combined our previously developed 3D real-time imaging and audiovisual multimedia technologies with the Stewart six-axis motion platform and dynamic simulation techniques. Subsequently, the Company successfully completed the FlyOver Canada project in Vancouver, becoming the leader of the flyingtheater industry. The Company's operating model has extended from selling hardware to digital content development in recent years. Since October 2013, we cooperate with Japan's Kodansha in integrating Kodansha's comic characters into our simulator ride products. The first result is the 4D animation ride film around Attack on Titan. In 2014, Kodansha licensed its IP to us, enabling the Company to sell the 4D product to its customers. Starting from 2015, the Company has changed its management model, from once-off selling of simulator rides to managing it with its customers. Moreover, the Company is working with customers in planning and developing relevant peripheral products, thereby expanding the sources of income.

In December 2015, The grand opening of i-Ride flyingtheater themed “Attack on Titan” was held in Shang-Shun World, Toufen Township, Miaoli County, Taiwan.

In addition to providing fun experiences, Brogent’s product development team proceeds to put more stringent requirements to improve qualityand security. Our flying theaters have been formally adopted by the United States UL certification and the TUV SOUTH. The 4D motion cinema in the Netherlands, which can carry 100 people, also passed the European TUV NORD safety certification. An introduction to our products :

Product name	Description	Images
i-Ride	The i-Ride, featuring a suspended seat platform, is the only dynamic flyingtheater on the market built on a six degrees of freedom (6DOF) motion platform. It not only delivers super realism and fantastic entertainment effects, but is also the most representative device among all extant indoor gaming devices. Riders' feet hang freely, to deliver the true sensation of flying through the air. The sweeping bird's eye perspective delivers unobstructed realism with no blind spots. Wind, sound, light, water, and aromas heighten the sensation of conquering the air.	
d-Ride	1) Unlimited story topics 2) Trackless or track bound and noiseless design for self-driving cars 3) Flexible plan scenes according to actual needs onsite 4) Combined with interactive game design, with touch, shoot, and hand gesture control operating methods	
v-Ride 360	1) The 360° massive cylinder screen delivers heightened realism and an unobstructed panoramic view with no blind spots 2) Passengers can walk safely and freely, selecting their favorite perspective 3) Suitable for various themes; with special 4D effects, users can immerse into the video content	

Product name	Description	Images
v-Ride basic	The modern version of the classic 4D cinema. The electrical motion base together with a wide range of special effects delivers a great experience. 1) High G-Force: Uses large-scale motion platform that creates effects that simulate high g-forces 2) 16:9 screen suitable for a diversity of video topics; with special 4D effects, a realistic experience is created	
t-Ride	The most advanced immersive tunnel experience in the market with a vehicle that can move with six degrees of freedom. 1) Two-sided curved screen design, increasing visual sense of realism and excitement 2) Vehicle can be changed depending on the theme, such as traveling on the same car, and with special 4D effects, it's as if you're there in person	
PaintFun	A fun interactive game for young families, that combines the creativity of drawing with the technology of drawn characters coming alive in a virtual environment.	

Product name	Description	Images
GestureMagic	The next step in advanced interactivity: Gesture based 3D experience that let's guests fight virtual monsters.	

4. The Company's new future products (services)

Furthermore, in response to the prevalence of online shopping activities, the convenience of mobile devices, and the fact that people cannot visit large theme parks in remote areas whenever they desire, the Company has endeavored to build a CitiPark indoor experience center in the city, where transport is convenient. Using the Company's innovative imagination, we combined simulator ride technologies with a variety of images, music, apparatuses, special effects, and themes, enabling visitors to travel through space and time. Thus, with this innovation, the benefits of edutainment in learning geography and astronomy and experiencing foreign cultures can be achieved. CitiPark is based on the operating model of Disneyland; however, unlike Disneyland and Universal Studios Japan, which are located in a suburban areas, CitiPark will be established in an area easily accessible to tourists, who can then imagine themselves as a story character whenever, wherever they desire, thus creating an experience economy that is just around the corner. The first CitiPark opened in Miaoli of Taiwan .

Regarding the development of simulator rides, in addition to continuing investing in the R&D and product optimization based on existing hardware designs, the Company also endeavors to add different product lines in response to global customer demand, customizing products that are suitable for various types of customers.

(2) Industry overview

1. Industry's current trends and future outlook

Since moving to the Kaohsiung Software Park in 2013, the Company has gradually placed its business focus on the media-based attraction (MBA) industry. The following section presents an overview of the new media entertainment industries:

In the early days, theme parks were mainly equipped with mechanical and simple electronic facilities such as the Ferris wheel, bumper cars, carousels, and roller coasters. However, as new technologies emerged, consumers gradually started to entertain themselves by engaging in experience-based consumption activities. Thus, these facilitates can no longer attract consumers, leading to the gradual decline of the once thriving theme parks. In replace of such theme parks is the simulator ride equipment that combines digital contents and fantasies well-known to adolescents. Moreover, simulator ride equipment is not only entertaining but also educational. This trend of the experience economy is increasing in the Asian market.

According to the 2013 global tourist attraction report published by the authoritative Theme Entertainment Association (TEA), the global theme park industry has showed steady growth in 2013. Particularly, the number of visitors to top 10 theme parks worldwide grew by 5.4% in 2012, and the growth rate for the top 25 theme parks was 4.3%. The growth in the number of visitors from Asian regions was the most significant, at 7.5%. In the Middle East regions, construction for large-scale theme parks has commenced such as the Warner Bros in Abu Dhabi. The overall growth rate for Europe remained steady, but United Kingdom, Germany, and Denmark all exhibited stronger growth.

Current Asian theme parks are experiencing the same bottleneck. For example, China's theme park exhibited overly high ratio of entrance fees to total revenue (80%) and low tourist revisit rate (20%). To effectively solve the aforementioned problems, new amusement parks must focus on product structures and customer services. While theme parks in Taiwan and China had committed to raising their entrance price to increase their income, theme parks in non-Asian countries such as the European and American regions have developed peripheral products, lowering the proportion of entrance fee income to 50%.

Furthermore, the 2014 annual report of Disney revealed that its income from peripheral products grew 22% compared with the previous year, primarily because of the substantial sales it made from Frozen and Spider-man products. Disneyland's actual income originates mainly from souvenirs and restaurants, both of which involve low fixed cost. Moreover, customers tend to favor Disney animations, and therefore Disney products can be sold at a high price. Based on these facts, peripheral products can be effectively marketed to potential customers. Through repeated exposure, these products can be imprinted in the minds of consumers. In collaboration with Kodansha, Brogent was able to display the characters and storyline of Attack on Titan through its simulator ride devices. Concurrently, the Company develops fine cultural and creative products, which can be promoted through tourists' word of mouth after then experienced. Thus, the popularity of these products can be increased, thereby elevating the total amount of spending per capita.

2. Relationship between up-, mid-, and down-stream suppliers in the industry's supply chain

Upstream industry	Midstream industry	Downstream industry
Hardware: 1.Precision machinery industry 2.Spherical screen 3.Projector **Software:** 1.Wireless embedded control system 2.Spherical projector and playback control system 3.High-definition digital content	Integrated hardware and software technologies	Global theme parks Museum Exhibition Shopping mall Tourist attractions Urban experience center

The upstream industries associated with the simulator ride equipment comprise the hardware section, including precision machinery industry and manufacturers of spherical screens and projectors, and the software section, including wireless embedded control system, spherical projector and playback control systems, and digital contents. The Company designs and integrates various software and hardware technologies according to customer needs, and then sells the products to downstream industries such as theme parks, museums, shopping mall, and urban experience centers.

3. Product development trends

Previous theme parks: Mainly equipped with mechanical and simple electronic facilities such as the Ferris wheel, bumper cars, carousels, and roller coasters. Generally, in bad weather, these theme parks must cease their operation, substantially impacting business operations. By comparison, multimedia simulator ride facilities can be installed indoors free from environmental influences; thus, the usage rate of theme park equipment can be enhanced, increasing the economic benefits of theme parks. Moreover, simulator ride facilities have become the options for updating theme parks in European and American countries and for planning and constructing theme parks in emerging countries. In recent years, under the influence of mature digital video technologies and Hollywood films, traditional mechanical amusement facilities are no longer effective for attracting new-generation tourists. To satisfy tourists' entertainment needs and novelty, new amusement parks have successively incorporated digital video technologies with electromechanical equipment. Thus, tourists can not only enjoy the excitement of conventional outdoor facilities, but also experience indoor facilities with excellent sound and lighting effects without being influenced by weather conditions. Furthermore, the Company's simulator rides that stimulate both sensory experiences and thrilling sensations, which are in line with the current trend of experience economy.

4. Product competition

Simulator rides are a type of amusement facilities featuring sound, lighting, and realistic effects that are developed to satisfy the entertainment needs of consumers. Consumers are given the options of playing on either mechanical facilities (e.g., roller coaster, free fall, and pirate ships) or static activities such as watching a film. However, the mechanical amusement facilities provide relatively monotonous entertainment effects, involve high construction cost, pose safety concerns, and are limited to certain age groups. In addition, the operation of these facilities is easily affected by weather conditions. Watching a film is a type of leisure static activity, providing only visual entertainment effects and thus failing to satisfy the needs for sound and light sensory stimulations pursued among the younger generations. Therefore, such amusement facilities cannot yield satisfactory entertainment effects or enhance the parks’ benefits. An overview of the current domestic market reveals that the Company has no competitors involved in similar business operations. Thus, there are no alternative or competing products on the market.

(3) Overview of Technology and R&D

1. R&D investments in recent years to the date of the annual report

Unit: NT$1,000

Year	2016	2017Q1
R&D expenses	95,569	23,430

2. Successfully developed technologies and products in recent years

Year	R&D Accomplishments
2011	Novel modularized suspension spherical theater based on a vertical six-axis actuating platform Ski simulator Tablet 3D man-machine interface (Android 3.2) 9s series software downloading tool (Android platform) Commercial electronic games－The Legend of a Golden City
2012	Novel special drive method Web-shaped seat design mold Seat cover design and production Actuator cantilever turning gate Suspension two-axis actuator platform stress analysis Smart TV man-machine interface (Android 2.3) Tablet 3D man-machine interface (Android 4.0) 9s series software downloading tool (iOS platform)
2013	Smart TV software Electrical gas six-axis platform design Suspension two-axis actuator platform design and production Completely dark ride (d-Ride) design Balloon Ride design
2014	Media Free Fall Design Interactive walking theater Joey's Aquarium (sketch-type aquarium) Track d-Ride system
2015	“Attack on Titan” i-Ride Film Car Racing simulator ride
2016	Q-Ride i-FUN HUB

(4) Business plan - long-term and short-term

1.Short-term development plan

(1) Marketing and product plan

A.Commit to on-going projects because successful performance is the best marketing tool for a company; strengthen digital content development capacity to satisfy future market demands for videos.

B. Design and plan highly modularized projects, provide affordable modularized system, and improve competitive advantage.

C. regulate outsourced vendors' production operation so that the products meet international standards; and continue to design products conforming to international environmental regulations to become a benchmark of green enterprises. Our flying theater is already EN and ASTM certified.

D. Sales channels are relatively closed; considering the ecological layout of local markets of various regions, the Company will adopt a cooperative model in which it forms a strategic alliance with its agents.

E. Participate in international exhibitions (e.g., IAAPA), keep increasing the visibility of the company's product, and expand the range of regional buyers.

(2) R&D plan

A. Apply the ability to integrate six-axis actuator platform with multimedia technologies, optimize d-Ride and innovative Media Free Fall Ride to expand the Company's product line, and satisfy customers' diversified needs.

B. Reinforce knowledge management and integrate existing data, so that technological resources can be shared to enhance technological capacities.

(3) Human resources and informatization plan

A. Strengthen training programs and enhance the quality of R&D personnel so that employees can improve as the company develops.

B. Effectively integrate company's internal resources to enhance work effectiveness.

(4) Financial Plan

A. Use appropriate financial instruments and formulate contract-based sales plan to avoid risk of currency fluctuations.

B. Strengthen project management and reduce receivables to increase the turnover rate of receivables.

2.Mid- and Long-term development plan

(1)Marketing and product plan

A. Target the future demand market of Asian regions where economic growth is high and then advance toward the global market, thereby becoming internationally recognized primary supplier of simulator rides.

B. Seize business opportunities in replacing, renewing, or adding construction projects in the future European and US markets and jointly work with strategic alliance partners in market expansion.

(2)R&D plan

A. Cooperate with domestic research institutes and academic units to acquire leading technologies.

B. Continue to develop new technologies and acquire patents.

(3)Human resources and informatization plan

A. Strengthen training to enhance employee skills.

B. Recruit professional managers to improve business performance.

C. Purchase professional collaborative operating software to provide employees around the world with a joint operating platform.

(4)Financial Plan

A. Use various fund-sourcing channels to create optimal financial structures that maximize company value.

B. Issue financial instruments in a timely manner for the company to acquire minimum capital cost.

C. Properly use financial instruments to reduce currency risks.

II. Market, production and sales

(1) Market analysis

1. Product sales region

Unit: NT$1,000

Year		2015		2016	
Sales Region		Net revenue	%	Net revenue	%
Domestic sales	Taiwan	79,964	11.33	107,566	12.20
Exports	Asia	222,244	31.51	389,411	44.17
	Americas	211,568	27.16	28,357	3.21
	Europe	191,648	30.00	356,336	40.42
	Subtotal	625,460	88.67	774,101	87.80
Total		705,424	100.00	881,670	100.00

2. Market Share

An overview of the current domestic market reveals that the Company has no competitors; therefore, no information regarding market shares is currently available for comparison. Regarding simulator rides in new media amusement industries, the Company is the first to integrate precision machinery, spherical projectors, audiovisual control, and wireless embedded system and became the company the independently developed simulator ride technologies. Currently, we are the leader in the flying theater market.

Internationally, in addition to Disney in the United States possessing three similar theaters that are expensive and not available for third party purchase, Dynamic Attractions in Canada and Huss and Simtec from Germany both have also introduced simulator rides. However, these three companies adopt motion platform-based hardware technologies and are not equipped with the ability to integrate hardware and software technologies, rendering them incapable of offering a comprehensive solution regarding simulator rides to business operators. Furthermore, apart from the Simtec solution, their platform moves merely in a maximum of two axial directions, yielding poor realistic effects. Therefore, after the Company entered the simulator ride market, the Company will leverage its advantages (technology and costs), cooperate with Vekoma Rides Manufacturing BV, and introduce simulator rides to theme parks and tourist attractions around the world. Thus, tourists worldwide can perceive the enjoyment generated from riding the simulator rides, and the Company's business scale can be enhanced.

3. Future market demand and supply and growth potential

The Company implemented the Content–Channel (CC) Strategy in recent years, transforming from being merely a supplier of amusement facilities to an operator of entertainment businesses. To achieve this goal, the Company recruited strategic investors over the past year, while adopting diversified management strategies that integrate profit distribution models to replace the model where devices are just sold once. CitiPark has become the Company's business demonstration site where a profit distribution business model has been adopted. Taiwan's first CitiPark Indoor Experience Center is now in operation in Toufen, Miaoli of Taiwan, providing Taiwanese citizens with diverse sensory experiences. In addition to outright selling its equipment, Brogent has not only delivered technology but also creatively planned a two-floor thematic interactive exhibit, in the hopes of educating children through fun, thereby bringing parents and children closer together. In response to the prevalence of online shopping activities, the convenience of mobile devices, and the fact that people cannot visit large theme parks in remote areas whenever they desire, the Company has endeavored to build a CitiPark indoor experience center in the city where transport is convenient. The goal was to help business operators attract crowds.

In recent years, Taiwanese citizens have placed increased attention on quality of life, increasing their consumption needs. Thus, how to enable an entire family, whether old or young, to satisfy their entertainment needs whilst making purchases or shopping is a topic warranting attention. Nevertheless, CitiPark offers a complete solution. Located in the busy area of Toufen, Miaoli County and being geographically advantaged, the first CitiPark in Taiwan enables creating Asia's first 5D scenic park for citizens living around the Hsinchu Science Park.

Regarding the Company's main product—i-Ride—beginning with its Fly Over the World project in Taiwan, Brogent is no longer merely a slogan. Within years, it has exploited its technological advantages with its hardware design integrated with creative software technologies. Brogent has extended its arm into the global sales channel with its hardware and software products, acquiring a solid status in the multimedia industry. Regardless of product safety or technological stability, Brogent has become increasingly mature with the globalization of the sales market, achieving the industry leader status. After flying across the world, the Company has also began planning the locations for the FlyOver project that are most representative of Taiwan; thus, tourists visiting Taiwan will be given an additional must-see tourist attraction.

Regarding the growth potential of the simulator ride market, according to the

Global Entertainment and Media Outlook: 2012-2016 by PricewaterhouseCoopers, the total global entertainment spending will increase from US$1600 billion in 2011 to US$2100 billion in 2016, at a growth rate of 5.7%. Furthermore, Vekoma Rides Manufacturing BV, a well-known roller coaster manufacturer in Holland with over 40 years of history in the theme park market and possessing world-class clients including Disney and Universal, estimated that there will be over 2000 large theme parks across the world. Moreover, numerous theme parks are in the process of construction as the spending power of these countries continues to rise.

The Chinese consulting firm CIConsulting reported that in 2011 - 2015, the Chinese theme park market will exceed RMB 10 billion each year, and in the next 25 to 30 years, at least 10 theme parks with a scale similar to that of Disneyland can be constructed in China. In the past, simulator rides involved high development cost and were restricted under Disneyland's patents, which made them relatively rare in theme parks. The Company's research team has devoted its efforts to acquiring patents from many countries, contributing to the Company's development in integrated software and hardware technologies and leveraging the advantages in manufacturing costs in Taiwan. By collaborating with internationally known marketing strategic partners, the Company has actively negotiated, planned, and constructed simulator rides from major theme parks all over the world. In recent years, countries in Europe and the US have gradually restructured existing large shopping centers, cinemas, and movie theaters in tourist attraction areas into popular leisure venues to attract visitors. Because a simulator ride can be customized according to the height restrictions of their buildings, they can provide consumers with an all-new entertainment experience. Simulator rides have become the focus of tourism industries in restructuring amusement facilities in Europe and the US. In summary, the business opportunities brought by the efforts of emerging countries in building amusement parks and of Europe and the US in reforming tourism facilities will contribute to the unlimited growth of simulator rides in the future.

4. Competitive Niches

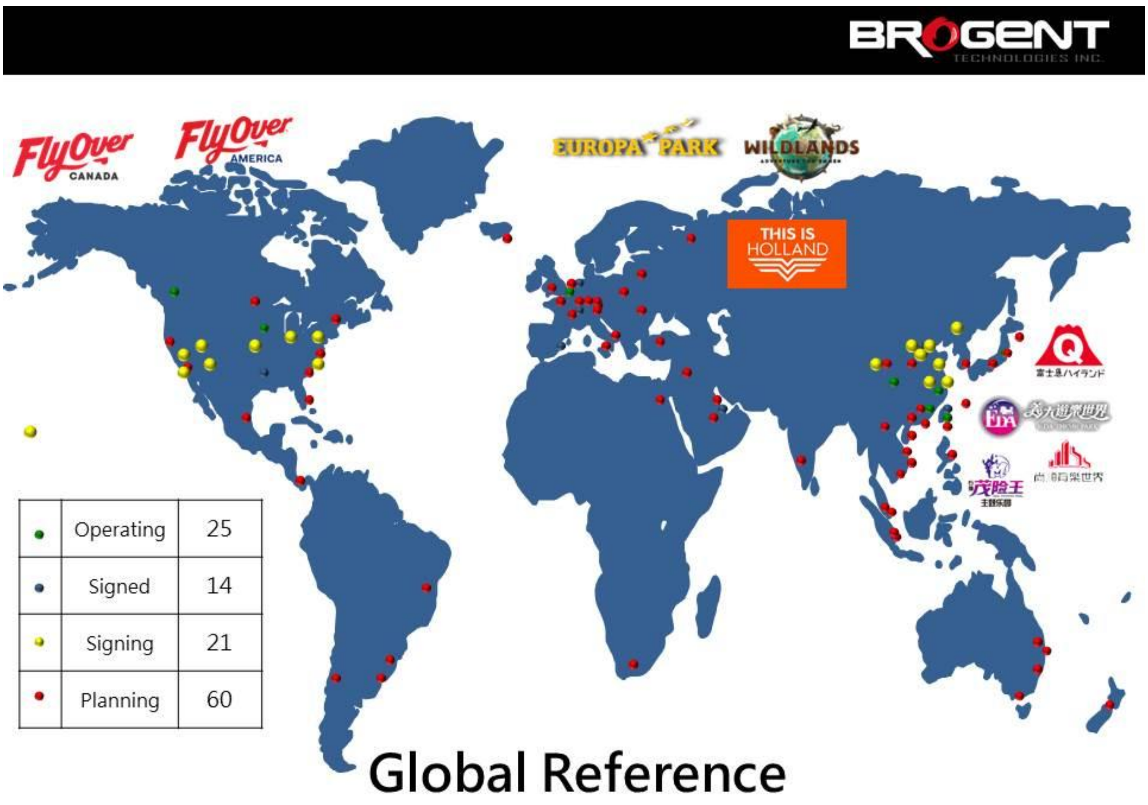
A. Globally Recognized Technology

The Company's management teams are relatively experienced in the industrial sector, making them capable of launching new products to customers at the right time and rapidly responding to customer demand.. In addition, our service quality is trusted by our clients, and the quality of our products is ensured during the software development process (including the design, implementation, and testing stages). Thus through enriched project management experiences, the Company offers customers excellent quality software services, contributing to the value of our software products.

In contrast to Disney's simulator rides, which feature a two-axis arm lift platform with two motion directions (heave and pitch), the Company's products adopt a six motion direction side-standing suspended six-axis platform. Our platform not only enables riders to fully experience realism and enjoyment but also facilitates saving space in the theater. Thus, business benefits could be maximized by adequately utilizing the space in the theaters. The Company has applied for patents from Taiwan, China, the United States, and the European Union for the side-standing suspension framework of the six-axis platform to protect our technology and increase the threshold for other vendors to enter the market.

B. Premium Brand Equity

Theme parks, museums, and exhibition centers are generally a closed market. The Company combines the marketing channels of internationally well-known theme park facility suppliers, enabling the successful transition into the theme park supply chain. This transition will be advantageous for expansion into the global market. Furthermore, the Company possesses excellent professional technological know-how and development experience; its products are strongly recognized by international clients. From 2008 to 2016, product sales distribution has gradually extended into international communities; Brogent’s products can be seen as follows:



In 2016, opened rides in the Netherlands and the US which helped to create international awareness. Our future business development will continue to involve market internationalization to expand our marketing scope of the global market, thereby improving the overall revenue performance.

C. Product modularization lowers cost and increases competitiveness

Simulator ride facilities involve a wide range of technical aspects, covering hardware systems (suspension, spherical screen with audiovisual systems) and software technologies (projector, playback, wireless embedded control, and high-definition digital content). Therefore, the technical teams of the Company performed high modularization engineering analysis and planning of large complex system frameworks based on the existing six-axis platform technologies. In addition, our design, production, transportation, and assembly processes are all designed and modularized in accordance with international standard regulations. Such modularization enables saving large amount of construction time and manpower, which considerably lowers construction cost and raises the Company's competitiveness.

D. Collaboration with international strategic partners in digital content development

The Company holds a solid foundation for software technology development. In addition to developing our own software applications (apps) and helping large brand vendors develop mobile device software, the Company also supports the software technology development required for simulator rides. In 2013, the flying theater i-Ride received the attention of Kodansha. Through the assistance of the Institute for Information Industry Taiwan - Japan Industry Promotion Center, the Company signed the first memorandum of understanding (MOU) with Kodansha in October 2013. Thereafter, frequent business meetings were held with the Japanese company, with the hope of integrating Brogent's product technologies with Kodansha's manga series to launch a highly entertaining amusement facility. The manga of choice in this cooperation was the popular Attack on Titan. With Kodansha's support, Brogent officially received authorization for the manga series Attack on Titan, and began producing related films for the i-Ride facility.

In 2015, both parties once again signed an MOU with the premise of expanding their scope of cooperation to including all of Brogent's simulator ride products. Thus, Kodansha's numerous, popular works can now be displayed through

Brogent's simulator rides and technologies, enabling passengers to immerse themselves in the story. Concurrently, the Company collaborates with suppliers of peripheral products; sales channels for these products will be established while theme-based entertainment activities are launched to allow passengers to receive satisfactory services and products. Consequently, a new sales platform will be created, elevating the value of cultural and creative products.

5. Competitive Edge, Favorable and Adverse Factors for Long-term Growth and Response Strategy

(1) Favorable factors

A. Needs of emerging countries and reconstruction business opportunities in Europe and the US

As the economy of emerging countries develop, these countries have gradually focused on the construction and development of leisure entertainment industries, specifically large theme parks, the existence of which can not only create domestic demand and employment opportunities, but also promote urban tourism development. Low income level in emerging countries render the entrance fees to theme parks in these countries incomparable to those in developed countries (e.g., European countries, North America, and Japan). To effectively increase the economic benefits of amusement parks, governments of emerging countries strictly regulated the benefits generated by amusement facilities. In addition, because indoor amusement facilities allow customers to still enjoy themselves during bad weather, and because of the rapid development of digital audiovisual technologies in recent years, traditional mechanical amusement facilities are no longer effective for attracting the attention of new-generation tourists. Therefore, when planning and constructing theme parks, emerging countries typically prioritized their focus on indoor amusement facilities that feature 3D sound and lighting effects and stimulate a sense of excitement in users. To reconstruct their tourism industries and boost their economy, European countries and the US have successively initiated tourist attraction reform projects, building leisure facilities by restricting existing buildings and movie theaters. These leisure facilities are based on a composite business model comprising department stores and hotels to attract visitors. Because simulator rides are built according to the height restrictions of existing buildings to provide consumers with an all-new entertainment experience, this type of facility became the primary focus of Europe and the US in reconstructing amusement facilities.

B. Construction and formation of industry supply chain

Before the Company entered the simulator ride market, there were no vendors investing in similar products in Taiwan. Since undertaking the FlyOver Taiwan project for E-DA Theme Park, the Company has adequately leveraged Taiwan' strong R&D and production capabilities of information hardware and precision machinery industries. With the efforts devoted by the Company's R&D personnel and domestic vendors, Taiwan has become one of the few countries worldwide capable of constructing simulator ride bases. Not only were the production costs of amusement facilities lowered, but the quality of these facilities reached international standard. Subsequently, a complete and tight supply chain in the simulator ride industry was established. Because simulator rides are completely customized according to customer needs, the Company's supply chain system enable the design, motion control, or digital content of such rides to be adjusted whenever required depending on customer needs. Thus, customer demand can be satisfied, thereby increasing the overall competitiveness of the Company.

C. Establishing word of mouth facilitates business promotion

Distinct from general consumer electronic products, simulator rides feature long life cycle, high degree of customization, high technical threshold, and high cost; therefore, customer repurchase and loyalty increased after establishing the word of mouth for the technology and quality of this product. Since completing the FlyOver Taiwan and FlyOver Canada projects, the Company has accumulated considerable experience, word of mouth, and popularity in the simulator ride market. The 2016 opening of “FlyOver America” created additional buzz. In addition, by forming strategic alliance with internationally well-known amusement facility suppliers, the Company will acquire more competitive advantage in business expansion.

D. Supported by strong technology

Since its inception in 2001, the Company has endeavored to develop audiovisual multimedia technologies, accumulating considerable experiences in technological development. Thus, the Company has established partnership with multiple international mobile phone factories, and received Small Business Innovation Research (SBIR) subsidies from the Ministry of Economic Affairs (MOEA) multiple times. In 2007, the Company was honored with the award of excellence in SBIR from the Department of Industrial Technology, MOEA. Regarding simulator ride facilities, the Company has received recognition for its technological capability since the successful implementation of the FlyOver Taiwan and FlyOver Canada projects. For example, the unique fish eye lens designed by the Company can achieve the projection effects of a spherical screen simply by installing them with a projector. Thus, the cost and space required for projector installation are substantially reduced, and the stability and image quality of the projector system are considerably enhanced. The Company's self-developed automated control technology can integrate motion platforms with video systems with increased precision. This way, riders can perceive the flow experience of realism. Furthermore, the Company also possesses the capacity to develop digital content, and customize it according to customer needs, thereby providing multiple choices to our customers. Therefore, the Company enhances the technological capacity of its research team, and therefore has substantial room for improvement.

(2) Unfavorable factors and their response strategies

A. Closed sales channel for simulator rides, impeding business expansion

Simulator rides are primarily built in theme parks, museums, and exhibition halls. Unlike general daily necessities, the sales channel of simulator rides is relatively closed, and suppliers specializing in this market are mostly business operators who have established their status for a long time. Thus, new vendors cannot easily directly enter this supply chain system and expand their businesses.

Response strategies:

The Company fully understands the characteristics of this industry. To expand its market and increase its market share, the Company formed a strategic alliance with internationally known suppliers of amusement facilities who have had a history of more than 40 years in the industry. These suppliers assist the Company in expanding its market channel to successfully enter the supply chain of the theme park industry and facilitate its expansion into the global market. In addition, the Company adopts "experiencing in an urban setting" as a strategy to actively develop miniature simulator rides and compete in the market.

B. Shortage of professional talent, hindering talent recruitment

Because information electronic related industries remain the dominant of the domestic market, and domestic vendors have already established a complete supply chain in the information hardware industry, general graduates still prefer to enter industries relevant to information electronics. Furthermore, domestic universities and colleges have established faculty departments associated with software design or amusement facilities in recent years. However, talent still require additional training, and simulator ride technologies encompass a wide variety of aspects, thus making R&D talent recruitment and cultivation difficult.

Response measures:

Engage in industry-academia cooperation to cultivate high-quality experts of digital content development and foster technological talent that industries require; provide employees with favorable working environment, perfect employee welfare systems, and formulate reward/punishment systems as well as employee training programs; and establish job positions according to employees' expertise and characteristics and provide employees with the opportunity to become a shareholder of the Company so that they could share business outcomes with the Company, thereby cohering their efforts and reducing turnover rate.

C. Raw material price and supply stability

The hardware system of the Company's simulator rides comprises the following: The raw materials of carriers, six-axis platform, and steel structures are mostly steel and iron. The prices of these raw materials may vary according to market supply and demand, causing price fluctuations, thereby influencing the Company's purchasing cost and profitability.

Response strategies:

In addition to having maintained a positive and long-term cooperative relationship with its suppliers, the Company appropriately adjusts its sources of procurement and disperses different purchasing vendors to seek the most optimal price quotation. Thus, over-concentration in purchasing, thereby increasing operating risks can be avoided.

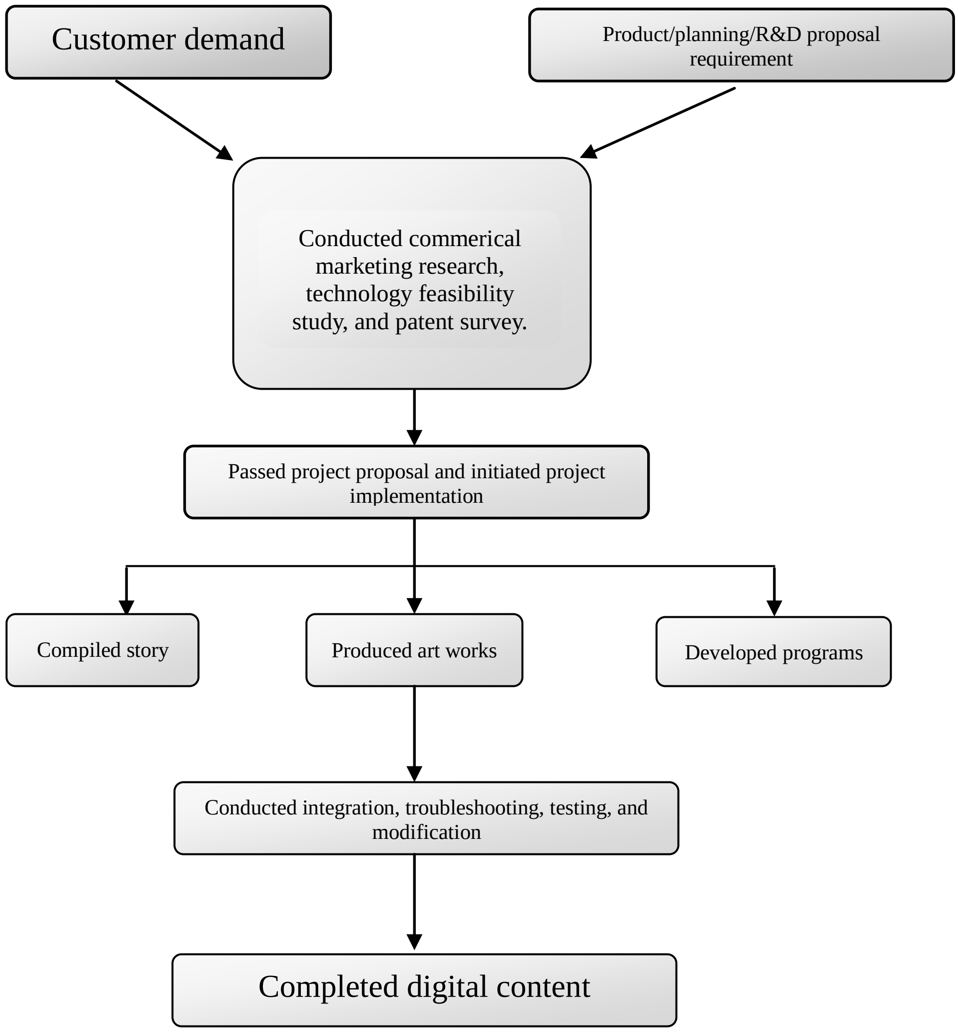
(2) Major product usage and manufacturing processes

1. Main purposes

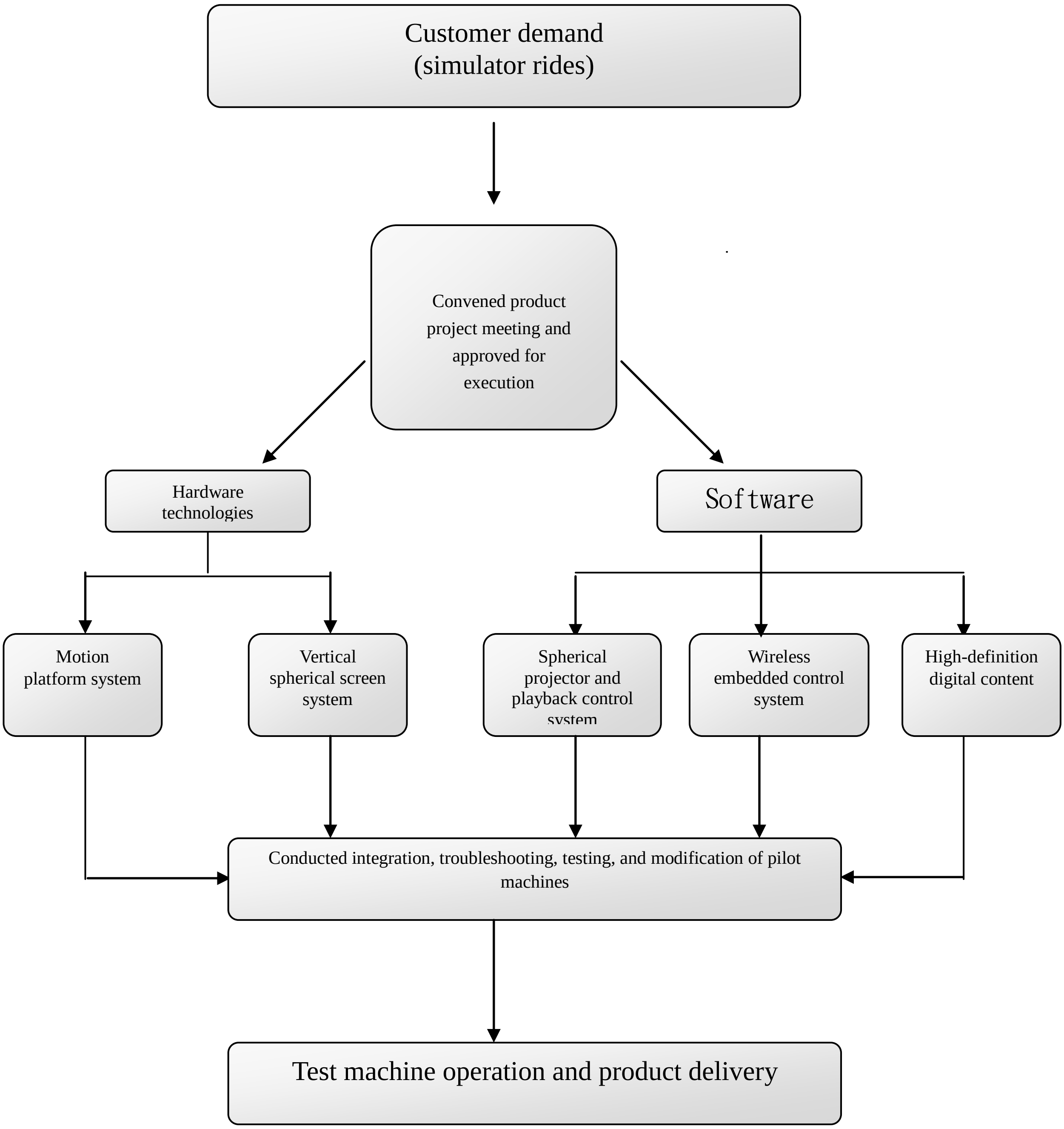
Theme park, museum, exhibition hall, shopping center, and indoor experience center afford entertainment and educational functions, provide adventurous experiences, and elicit sense of excitement.

2. Manufacturing process

A. Digital content:



B. Simulator rides:



3. State of supply of chief raw materials

Primary spare parts	Supply condition
1.Stewart six-axis platform	Good, stable
2.Structure of ride carriers	Good, stable
3.Spherical screen	Good, stable
4.Servo valve, motor	Good, stable
5.Projector	Good, stable
6.Acoustic equipment	Good, stable
7.Digital content contractor	Good, stable

The Company develops its own mobile device software instead of outsourcing it. The hardware and software systems of the simulator rides are designed and developed by the Company. Regarding the mechanical hardware parts, the Company cooperates with its vendor and commissions contractors for assistance. The Company and its suppliers have a stable cooperative relationship, facilitating the stable material supply. Therefore, there were no incidences of supply interruption.

4. Major buying and selling vendors/customer information

(1) Names of customers who accounted for more than 10% of the sales in the last two years, sales as a percentage of total sales, and reasons of change

Unit: NT$1,000

	2015				2016				2017Q1			
Item	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer
1	F0024	210,975	29.91%	None.	F0029	252,980	28.69%	None.	F0048	69,972	22.02%	None.
2	F0023	115,259	16.34%	None.	F0026	118,480	13.44%	None.	F0051	52,473	16.52%	None.
3	F0025	97,010	13.75%	None.	F0025	111,023	12.59%	None.	F0053	46,704	14.70%	None.
4	F0029	80,572	11.42%	None.	F0030	103,201	11.71%	None.	F0049	45,478	14.31%	None.
5	F0026	74,976	10.63%	None.	-	-	-	-	-	-	-	-
	Others	126,632	17.95%		Others	295,986	33.57%		Others	103,083	32.45%	
	Total	705,424	100.00%		Total	881,670	100.00%		Total	317,710	100.00%	

<u>Reasons for changes:</u>

The Company's chief products are simulator rides. Because simulator ride projects involve high costs, the sales target in the most recent two years is customers who purchase simulator rides. In 2015, the Company successfully extended its reach into the overseas market and Taiwan's market. F0030 is new buyer of the Company's simulator rides, and projects accepted in 2015 were commissioned by F0029、F0026、F0025 customer. The most construction was undergone in 2016. In 2016, simulator ride projects were completed, and revenues were received according to the proportion of job completion.

To increase its market share in the global market, the Company continues to work with international vendors and Taiwanese vendors, actively vie for their cooperation, and devoted to seeking new client base to disperse sources of customer order and maintain robust growth.

(2) Names vendors who accounted for more than 10% of the purchases in the last two years, purchases as a percentage of total purchase, and reasons of change

Unit: NT$1,000

	2015				2016				2017Q1			
Item	Name	Amount	Percentage of total purchase (%)	Relationship with issuer	Name	Amount	Percentage of total purchase (%)	Relationship with issuer	Name	Amount	Percentage of total purchase (%)	Relationship with issuer
1	A0000124	60,531	13.41%	None.	A0000008	95,040	22.76%	None.	A0000548	20,393	25.77%	None.
2	A0000023	48,123	10.66%	Related Party.	A0000072	46,020	11.02%	None.	A0000551	12,504	15.80%	None.
3	A0000008	36,385	8.06%	None.	A0000012	45,468	10.89%	None.	A0000012	8,507	10.75%	None.
	Others	306,394	67.87%		Others	231,024	55.33%		Others	37,727	47.68%	
	Total	451,433	100.00%		Total	417,552	100.00%		Total	79,130	100.00%	

Reasons for changes:

To develop simulator rides, the Company adequately uses the technical strength, flexibility, and willingness of small and medium enterprises to cooperate. In addition, the Company plans, designs, and collects the various technical and production information of international companies, commissioning contractors to manufacture our products. Furthermore, the Company cooperates with small and medium enterprises to construct the supply chain system of simulator ride facilities. The Company primarily procures six-axis platform, ride carriers, spherical screens, servo valve, and projector and acoustic equipment. Except for when customers designate their preferred suppliers, the Company's suppliers are selected according to their quality, stability, delivery date, and price.

A0000008 the Company's first largest supplier of steel structures and push carriers from whom it made a total purchase of 95,040 thousand, who became the largest supplier in 2016, A0000072 is the Company's second largest supplier of the slide gate manufacturer, from whom it made a total purchase of NT$46,020 thousand in 2016. A0000012 is the Company's third largest supplier of spherical screen manufacturer, from whom it made a total purchase of NT$45,468 thousand. Overall, the changes in the primary suppliers of the Company in the past two years were based on the project scale and job completion progression. There were no major abnormalities.

5. Output volume and value during the most recent two years

The Company's primary business involved the R&D and sales of simulator rides. Since 2008 when the Company started the development and selling of simulator ride facilities, these facilities, including their hardware and software systems and automated control system, were designed and developed by the Company. The mechanical body engineering part was commissioned to external contractors, and the Company purchases the final product from the supplier and therefore is not a manufacturing industry. Thus, the Company is not associated with output volume and value.

6. Sales volume and value during most recent two years

Unit: NT$1,000

Year	2015				2016			
Sales volume and value	Domestic sales		Exports		Domestic sales		Exports	
Primary products	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Mobile device software	-	-	-	592	-		-	
Simulator rides	-	55,743	-	619,794	-	69,314	-	748,795
Others (Note)	-	27,544	-	1,751	-	38,252	-	25,309
Total	-	83,287	-	622,137	-	107,566	-	774,104

Note: Others refer to repair and maintenance and income generated sales (gaming machines) and labor affairs

<u>Reasons for changes:</u>

The Company's adjustment to its sales strategy to reduce the number of customized software projects accepted. Regarding the simulator ride, the external sales amount increased in 2016 compared with 2015; this is primarily attributed to the successive orders received from the overseas market in 2016.

III. Employee Information in the Past 2 Years to the Date of the Annual Report

Year		End of 2015	End of 2016	Up to March 31, 2017
Number of employees	Managerial officer	26	25	26
	R&D personnel	116	97	91
	General employee	50	47	45
	Total	192	169	162
Average age		34.07	35.88	36.46
Average years of service (year)		3.10	2.95	3.22
Education distribution (%)	Ph.D	0.54	1.8	1.9
	Master's	43.22	47.9	49.4
	University/College	55.7	48.5	47.5
	Senior high school	0.54	1.8	1.2
	Senior high school and below	0	0	0

IV. Environmental protection expenditure information

(1) The Company primarily engages digital content development and selling of simulator rides, the production of which is entirely outsourced to external contractors. Therefore, the Company is not associated with pollution concerns.

1. According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made: Not applicable.

2. Setting forth the company's investment in the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced: None.

3. Describe the process undertaken by the company on environmental pollution improvement for the most recent 2 fiscal years and up to the publishing date of the annual report. If there had been any pollution dispute, its handling process shall also be described: None.

4. Describe the loss (including damage compensations paid) suffered by the company due to environmental pollution incidents occurred in the most recent 2 fiscal years and up to the annual report publishing date, the total penalty/fine amount, as well as disclosing its future preventive policies (including improvement measures) and possible expenses to be incurred (including possible loss if no preventive measures are taken, and the penalties and estimated damage compensation amount; if reasonable estimation cannot be made, explanation on the facts why it cannot be made shall be stated): None.

5. Explain the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years: None.

(2) The 2nd stage of R&D and experience center was completed in Febuary 2016 and awared the green building certificate issued by Ministry of the Interior (Certification No. GB-BC-01-00164 on 105.12.16) The related green power arrangement is explained as followings:

1.Installation of solar power

2. Installation of central air-conditioning control system

3. Installation of all heat exchangers

4. Build up rain storage and recycle irrigation systems

5.Use LED lightening system

6.Set up indoor air quality supervisory system

V. Labor Relations

1. Set forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

(1) Employee welfare measures and implementation status

The Company offers the following welfare to its employees: labor and health insurance, employee group insurance, employee health examination, year-end bonus, and employee stock option bonus. In addition, the Company has also set up an Employee Welfare Committee that handles employees' various welfare affairs, including employee marriage, funeral, sick leave, and maternal leave subsidies, annual employee travel benefit, three-festival bonuses (Dragon Boat Festival, Moon Festival, and Chinese New Year), birthday bonus, and year-end new year banquet.

(2) Employee continuing education, training, and status of their implementation

To enhance employee quality and their work efficiency and quality, the Company requires all its new recruits to receive immediate training and guidance on their job content. During their period of employment, employees must regularly undergo professional training, both internal and external, on employee job duties. Internal training courses entail exchanging internal professional technologies and improving employee productivity; external courses depend on company requirements. Employees may be dispatched to attend external seminars and courses. Thus, the Company's employees are provided with opportunities to receive professional training. Actual training attendance is registered and managed with the hope of fostering professional talent and effectively nurture and utilize talent.

(3) Employee pension system and status of implementation

The Company regulates employee pension system according to the Labor Standard Act, formulates Employee Retirement Regulation, and establishes labor pension account with the Central Trust of China to which a labor pension reserve equivalent to 2% of employees' monthly salary is contributed. As of July 1, 2005, when the new labor pension system was implemented by the government, the Company asks its employees whether they wish to adopt the new or old labor pension systems. Employees who prefer the new pension system shall have 6% of their monthly salary contributed to their personal pension account and shall retain their seniority status as required by the Labor Standard Act, to ensure their living needs after they retire. No employees have retired since the Company's establishment.

(4) Labor negotiations

The Company is subject to the Labor Standard Act, operating its business in accordance with the Labor Standard Act. Generally, the Company emphasizes the importance of employee welfares and communication with its employees; therefore, it has maintained a harmonious relation with its employees. In addition, to maintain positive labor relation, the Company attaches increased importance on employee opinions, which can be communicated by the employees via email. Since its establishment, the Company has not been involved in labor disputes. However, the Company will still strengthen its labor communication protocols and endeavor to formulate effective welfare measures for its employees so that a more harmonious labor relationship can be sustained to prevent any possibilities of labor disputes from occurring.

(5) Measures for protecting employee rights and interests

The Company has a complete document management system that specifies various management regulations, employee rights and obligations and their welfares, to protect employee rights and interests.

(6) Preventive measures taken to ensure a safe working environment and maintain employees' personal safety:

The Company hires designated personnel to plant flowers and trees in vacant spaces surrounding the Company. By applying the practice of landscape greening, the Company creates a comfortable, safe working environment and plans an effective parking space. The Company constructs a safe, healthy working environment and regularly provides employee health examination to maintain employee physical and mental health. In addition, a Labor Safety and Health Committee is established to engage in promotion efforts for environmental protection and labor safety and health. The Company also offers employee safety and health training programs to help employees enhance their health and safety related knowledge and skills.

2. Describe the loss suffered by the company due to labor disputes occurring in the most recent 2 fiscal years and up to the annual report publishing date, and disclose the estimated amount expected to be incurred for the present and future as well as the

preventive measures:

The Company maintains a harmonious relationship with its employees. There were no losses incurred from incidences of labor disputes during the most recent 2 years up to the publishing date of the annual report. The Company upholds the principle of maintaining a reciprocal relationship and sharing profits with its employees. There is minimum likelihood of losses due to labor disputes occurring in the future.

VI. Important contracts

Nature of contract	Contracting parties	Date of contract start and end	Content	Restriction clauses
Sales Contract	US Company USA0003	2016.12.16~May terminate the contract according to agreement	Simulator rides	None.
	Netherland Company NLD0003	2016.03.29~May terminate the contract according to agreement	Simulator rides	None.
	China Company CHN0005	2016.12.09~May terminate the contract according to agreement	Simulator rides	None.
		2016.12.09~May terminate the contract according to agreement	Simulator rides	
		2016.12.09~May terminate the contract according to agreement	Simulator rides	
	Arabian Company ARE0001	2015.03~May terminate the contract according to agreement	Simulator rides	None.
	Spain Company ESP0001	2015.07~May terminate the contract according to agreement	Simulator rides	None.
	German Company DEU0001	2015.10~May terminate the contract according to agreement	Simulator rides	None.
Order	China Company CHN0007	2016/10/30~2017/12/28	Simulator rides	None.
		2016/10/30~2017/12/28	Simulator rides	
Sales Agency Agreement	Vekoma Rides Manufacturing B.V.	2009.01.06~No period (May terminate when either party fails to execute its responsibilities or when both parties provide a written notification 6 months prior to contract termination)	Sales agency	None.

Nature of contract	Contracting parties	Date of contract start and end	Content	Restriction clauses
Land Rental Agreement	Export Processing Zone Administration, MOEA	2012.3.14 - 2032.3.13	Renting of Kaohsiung Software Park Land	None.
Loan Agreement	Taiwan Cooperative Bank	2016.04.11 - 2031.10.13	Long-term collateral-based loan application	None.

VI. Financial Overview

1. Condensed balance sheets and statement of income (2012 - 2016)

(1) Condensed balance sheets

1. Condensed balance sheets- International Financial Reporting Standards (IFRS)- Consolidated

Unit: NT$1,000

Item \ Year		Financial information: FY2012 - FY2016 (Note 1)					As of March 31, 2017 (Note 3)
		2012	2013	2014	2015	2016	
Current assets		-	-	-	2,341,930	2,238,894	2,076,287
Property, plant and equipment		-	-	-	557,047	804,714	918,863
Intangible assets		-	-	-	13,987	149,155	142,579
Other assets		-	-	-	235,074	98,081	98,275
Total Assets		-	-	-	3,148,038	3,290,844	3,236,004
Current liabilities	Basic	-	-	-	566,592	307,270	213,315
	Diluted	-	-	-	547,321	(Note 2)	(Note 2)
Non-current liabilities		-	-	-	88,140	336,388	332,971
Total liabilities	Basic	-	-	-	654,732	643,658	546,286
	Diluted	-	-	-	635,461	(Note 2)	(Note 2)
Equity attributable to owners of parent		-	-	-	2,444,938	2,594,050	2,636,915
Share capital		-	-	-	446,780	446,780	446,780
Capital reserve		-	-	-	2,043,087	2,052,669	2,052755
Retained earnings	Basic	-	-		220,459	211,682	256,390
	Diluted	-	-		109,849	(Note 2)	(Note 2)
Other interests		-	-	-	684	(1,605)	(3,534)
Treasury stock		-	-	-	266,072	115,476	115,476
Non-controlling interests		-	-	-	48,368	53,136	52,803
Total shareholders' equity	Basic	-	-	-	2,493,306	2,647,186	2,689,718
	Diluted	-	-	-	2,382,696	(Note 2)	(Note 2)

Note 1: Starting from 2015, the Company has consolidated financial reports.
Note 2: The 2016 proposal of surplus distribution has not been resolved in the shareholders' meeting.
Note 3: The year to date March 31. 2017 financial results has been reviewed by a CPA.

2. Condensed balance sheets- International Financial Reporting Standards (IFRS)- Individual

Unit: NT$1,000

Item \ Year		Financial information: FY2012 - FY2016 (Note 1) 2012	2013	2014	2015	2016	As of March 31, 2017 (Note 3)
Current assets		374,091	717,863	1,046,900	1,967,995	1,939,408	-
Property, plant and equipment		159,704	161,607	310,698	551,001	617,103	-
Intangible assets		2,952	3,284	6,086	13,934	146,666	-
Other assets		44,238	105,798	53,163	594,044	437,806	-
Total Assets		580,985	988,552	1,416,847	3,126,974	3,140,983	-
Current liabilities	Basic	137,936	192,503	208,712	593,896	322,545	-
	Diluted	163,391	192,503	288,072	577,625	(Note 2)	-
Non-current liabilities		6,586	329,297	180,165	88,140	224,388	-
Total liabilities	Basic	144,522	521,800	388,877	682,036	546,933	-
	Diluted	169,977	521,800	468,237	665,765	(Note 2)	-
Equity attributable to owners of parent		436,463	466,752	1,027,970	2,444,938	2,594,050	-
Share capital		254,550	267,277	341,294	446,780	446,780	-
Capital reserve		134,356	188,618	459,496	2,043,087	2,052,669	-
Retained earnings	Basic	47,557	3,434	227,180	220,459	211,682	-
	Diluted	22,102	3,434	147,820	109,849	(Note 2)	-
Other interests		-	-	-	684	(1,605)	-
Treasury stock		-	-	-	266,072	115,476	-
Non-controlling interests		-	-	-	-	-	-
Total shareholders' equity	Basic	436,463	466,752	1,027,970	2,444,938	2,594,050	-
	Diluted	411,008	466,752	948,610	2,334,328	(Note 2)	-

Note 1: The 2012 - 2016 financial reports have been certified by the CPA.
Note 2: The 2016 proposal of surplus distribution has not been resolved in the shareholders' meeting.
Note 3: The company does not have individual financial report as of March 31, 2017.

3. Condensed balance sheets- Taiwan financial reporting standards

Unit: NT$1,000

Item \ Year		Financial information: FY2012 - FY2016 (Note)				
		2012	2013	2014	2015	2016
Current assets		380,801	-	-	-	
Funds and long-term investments		22,500	-	-	-	
Fixed assets		158,889	-	-	-	
Intangible assets		991	-	-	-	
Other assets		18,795	-	-	-	
Total Assets		581,976	-	-	-	
Current liabilities	Basic	136,693	-	-	-	
	Diluted	162,148	-	-	-	
Long-term liabilities		2,252	-	-	-	
Other liabilities		2,553	-	-	-	
Total liabilities	Basic	140,988	-	-	-	
	Diluted	166,443	-	-	-	
Share capital		254,550	-	-	-	
Capital reserve		134,356	-	-	-	
Retained earnings	Basic	52,914	-	-	-	
	Diluted	27,459	-	-	-	
Unrealized gain/loss on financial instrument		-	-	-	-	
Cumulative translation adjustments		-	-	-	-	
Net losses not recognized as pension costs		(832)	-		-	
Total shareholders' equity	Basic	440,988	-	-	-	
	Diluted	415,533	-	-	-	

Note: The 2012 - 2016 financial reports have been certified by the CPA.

(2) Condensed statements of income

1. Condensed statements of income- International Financial Reporting Standards (IFRS)-Consolidated (Note 1)

Unit: NT$1,000

Year / Item	Financial information: FY2012 - FY2016 (Note 2)					As of March 31, 2017 (Note 3)
	2012	2013	2014	2015	2016	
Sales revenue	-	-	-	705,424	881,670	317,710
Gross profit	-	-	-	333,961	444,937	153,723
Operating income (loss)	-	-	-	130,412	108,508	74,028
Non-operating income and expense	-	-	-	21,815	21,076	(17,709)
Net income (loss) before tax				152,227	129,584	56,319
Continuing operations Net income	-	-	-	119,769	106,112	44,356
Profit and loss of discontinuing operations	-	-	-	-	-	-
Net income (loss)	-	-	-	119,769	106,112	44,356
Other comprehensive income (net income)	-	-	-	619	(1,810)	(1,929)
Total comprehensive income	-	-	-	120,388	104,302	42,427
Net income belongs to the parent company	-	-	-	112,384	101,354	44,708
Net income belongs to non-controlling interests	-	-	-	7,385	4,758	(352)
Total comprehensive income belongs to the parent company	-	-	-	113,003	99,544	42,779
Total comprehensive income belongs to the non-controlling interests	-	-	-	7,385	4,758	(352)
Earnings per share	-	-	-	2.57	2.30	1.01

Note 1: Starting from 2015, the Company has consolidated financial reports..
Note 2: The 2015-2016 consolidate financial results has been verified by a CPA.
Note 3: The year to date March 31. 2017 financial results has been reviewed by a CPA.

2. Condensed statements of income- International Financial Reporting Standards (IFRS)-Individual

Unit: NT$1,000

Item \ Year	Financial information: FY2012 - FY2016 (Note 1)					As of March 31, 2017 (Note 2)
	2012	2013	2014	2015	2016	
Sales revenue	285,896	333,559	829,511	690,617	865,220	-
Gross profit	156,071	140,655	426,915	304,396	390,441	-
Operating income (loss)	61,175	2,134	231,250	110,586	110,972	-
Non-operating income and expense	1,505	2,863	38,492	30,730	10,463	-
Net income (loss) before tax	62,680	4,997	269,742	141,316	121,435	-
Continuing operations Net income	51,870	(5,982)	224,432	112,384	101,354	-
Profit and loss of discontinuing operations	-	-	-	-	-	-
Net income (loss)	51,870	(5,982)	224,432	112,384	101,354	-
Other comprehensive income (net income)	(575)	41	(686)	619	(1,810)	-
Total comprehensive income	51,295	(5,941)	223,746	113,003	99,544	-
Net income belongs to the parent company	51,870	(5,982)	224,432	112,384	101,354	-
Net income belongs to non-controlling interests	-	-	-	-	-	-
Total comprehensive income belongs to the parent company	51,295	(5,941)	223,746	113,003	99,544	-
Total comprehensive income belongs to the non-controlling interests	-	-	-	-	-	-
Earnings per share	2.18	(0.22)	6.83	2.57	2.30	-

Note 1: The 2012 - 2016 financial reports have been certified by the CPA.
Note 2: The company does not have individual financial report as of March 31, 2017.

3. Condensed statements of income- Taiwan financial reporting standards

Unit: NT$1,000

Item \ Year	Financial information: FY2012 - FY2016 (Note 1)				
	2012	2013	2014	2015	2016
Sales revenue	285,896	-	-	-	
Gross profit	156,701	-	-	-	
Operating income (loss)	61,393	-	-	-	
Non-operating income and gain	4,658	-	-	-	
Non-operating expense and loss	3,153	-	-	-	
Before-tax profit and loss of continuing operations department	62,898	-	-	-	
Profit and loss of continuing operations department	52,088	-	-	-	
Profit and loss of discontinuing operations department	-	-	-	-	
Extraordinary profit and loss	-	-	-	-	
Cumulative impact of change in accounting principle number	-	-	-	-	
Net income (loss) for the current period	52,088	-	-	-	
Earnings per share	2.29	-	-	-	

Note: The 2012 - 2016 financial reports have been certified by the CPA.
Earnings per share are after tax.

2-1. Names of auditors and audit opinions

Year	Name of accounting firm	CPA	Audit opinion
2012	BDO Taiwan	Yi-Shun Chang, Tsu-Cheng Huang	Unqualified opinion
2013	Grant Thornton Taiwan	Yi-Shun Chang, Yu-Chieh Lo	Unqualified opinion
2014	Grant Thornton Taiwan	Yi-Shun Chang, Yu-Chieh Lo	Unqualified opinion
2015	Grant Thornton Taiwan	Yi-Shun Chang, Yu-Chieh Lo	Unqualified opinion
2016	Grant Thornton Taiwan	Yi-Shun Chang, Yu-Chieh Lo	Unqualified opinion

2. Financial Analysis

(1) Financial analysis (2012 - 2016)

1. Financial Analysis- International Financial Reporting Standards (IFRSs)-Consolidated(Note 1)

Item (Note 3) / Year (Note 1)		Financial analysis (2012 - 2016) (Note2)					As of March 31, 2017 (Note 3)
		2012	2013	2014	2015	2016	
Financial structure (%)	Debt-to-assets ratio	-	-	-	20.80	19.56	16.88
	Long-term fund to property, plant and equipment (fixed assets) ratio	-	-	-	463.42	370.76	328.96
Solvency (%)	Current ratio	-	-	-	413.34	728.64	973.34
	Quick ratio	-	-	-	361.30	537.88	722.15
	Times interest earned	-	-	-	31,358.11	2,615.71	3,944.30
Operating ability	Receivables turnover ratio (times)	-	-	-	4.05	3.29	1.2
	Average days of collection	-	-	-	90.12	110.94	304.17
	Inventory turnover ratio (times) (Note 2)	-	-	-	-	-	-
	Payables turnover ratio (times)	-	-	-	3.74	3.52	1.54
	Average days of sales	-	-	-	-	-	-
	Property, plant and equipment (fixed assets) turnover ratio (times)	-	-	-	1.36	1.10	0.37
	Total assets turnover ratio (times)	-	-	-	0.23	0.28	0.10
Profitability	Return on assets (%)	-	-	-	3.89	3.45	1.40
	Return on equity (%)	-	-	-	4.82	4.08	1.66
	Paid-in capital to income before tax (%) (Note 8)	-	-	-	34.07	29.00	12.61
	Net profit margin (%)	-	-	-	16.98	12.04	13.96
	Earnings per share (NT$)	-	-	-	2.57	2.3	1.01
Cash flows	Cash flow ratio (%)	-	-	-	(52.84)	(44.9)	11.89
	Cash flow adequacy ratio (%)	-	-	-	24.42	23.47	28.77
	Cash reinvestment ratio (%)	-	-	-	(14.91)	(8.74)	0.87
Leverage	Operating leverage	-	-	-	1.27	1.75	1.32
	Financial leverage	-	-	-	1.00	1.05	1.02

Reasons for changes in financial ratios in the most recent 2 years. (Can be left blank of the increase or decrease is less than 20%)

1. Solvency: The ratio changed in 2016 was mainly because of the reclassifying the short-term loan to long-term loan, in addition to the the increase in capitalized interest of the loan.
2. Average days of collection: Average number of days declined primarily because the payments for the implementation of customized design plans, scale, and completion progress were received on time in 2016.
3. Paid-in capital to income before tax decreased in 2016 by the expense of setting up subsidiaries for the company's future growth.
4. Cash flow ratio: Cash flow ratio in 2016 decreased because of the increase in noncurrent assets compared with 2015

Note 1: Starting from 2015, the Company has consolidated financial reports..
Note 2: The 2015-2016 consolidate financial results has been verified by a CPA.
Note 3: The year to date March 31. 2017 financial results has been reviewed by a CPA.

2. Financial Analysis- International Financial Reporting Standards (IFRSs)-Individual(Note 1)

Item (Note 3) \ Year (Note 1)		Financial analysis (2012 - 2016) 2012	2013	2014	2015	2016	As of March 31, 2017 (Note 3)
Financial structure (%)	Debt-to-assets ratio	24.88	52.78	27.45	21.81	17.41	-
	Long-term fund to property, plant and equipment (fixed assets) ratio	274.00	492.58	386.42	459.72	456.72	-
Solvency (%)	Current ratio	271.21	372.91	501.60	331.37	601.28	-
	Quick ratio	197.13	342.50	445.08	280.17	509.64	-
	Times interest earned	514.77	1.96	85.32	29,117.66	4202.53	-
Operating ability	Receivables turnover ratio (times)	16.84	4.08	5.46	4.03	2.78	-
	Average days of collection	21.67	89.46	66.8	90.57	32.37	-
	Inventory turnover ratio (times) (Note 2)	-	-	-	-	-	-
	Payables turnover ratio (times)	6.98	9.46	7.37	3.55	3.09	-
	Average days of sales	-	-	-	-	-	-
	Property, plant and equipment (fixed assets) turnover ratio (times)	3.55	2.08	3.51	1.33	1.48	-
	Total assets turnover ratio (times)	0.67	0.43	0.69	0.22	0.28	-
Profitability	Return on assets (%)	12.18	(0.21)	18.88	3.66	3.31	-
	Return on equity (%)	15.65	(1.32)	30.03	4.60	4.02	-
	Paid-in capital to income before tax (%) (Note 8)	24.62	1.87	80.09	31.63	27.18	-
	Net profit margin (%)	18.14	(1.79)	27.06	16.27	11.71	-
	Earnings per share (NT$)	2.28	(0.22)	6.83	2.57	2.30	-
Cash flows	Cash flow ratio (%)	(15.74)	53.14	28.21	(50.73)	(7.61)	-
	Cash flow adequacy ratio (%)	7.87	15.2	(25.39)	38.06	5.85	-
	Cash reinvestment ratio (%)	(5.22)	9.69	4.79	(17.96)	(5.80)	-
Leverage	Operating leverage	1.19	11.47	1.12	1.37	1.66	-
	Financial leverage	1.00	(0.69)	1.01	1.00	1.03	-

Reasons for changes in financial ratios in the most recent 2 years. (Can be left blank of the increase or decrease is less than 20%)
1. Liability to asset ratio: The ratio decreased in 2016 was mainly because of the reduced account payable. 2. Times interest earned: Times interest earned increased after 2014 primarily due to the increase in capitalized interest of the loan for constracting the R&D Testing Center. 3. Average days of collection: Average number of days declined primarily because the payments for the implementation of customized design plans, scale, and completion progress were received on time in 2016. 4. The Company primarily focuses on the R&D and design of simulator rides by using its design, R&D, and system integration capabilities as well as the hardware equipment of outsourced vendors. Because the Company's core value is its design, R&D, and system integration capabilities, its business characteristic differs from general manufacturing industries in that the Company manufactures and sells physical products. Therefore, inventory turnover ratio is not calculated. 5. Net Profit Ration decreased in 2016 by the expense of setting up subsidiaries for the company’s future growth. 6. Cash flow ratio: Cash flow ratio in 2016 decreased because of increase in noncurrent assets.

Note 1: The 2012-2016 Financial Reports of the Company have been reviewed by the CPA.

Note 2: The Company primarily focuses on the R&D and design of simulator rides by using its design, R&D, and system integration capabilities as well as the hardware equipment of outsourced vendors. Because the Company's core value is its design, R&D, and system integration capabilities, its business characteristic differs from general manufacturing industries in that the Company manufactures and sells physical products. Therefore, inventory turnover ratio is not calculated.

Note 3: The company does not have individual financial report as of March 31, 2017.

Note 4: The following calculation formulas shall be displayed at the end of the tables of the annual report.

1. Financial structure
   (1) Debt-to-asset ratio = total liabilities / total assets.
   (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.
   (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average days of collection = 365 / receivables turnover ratio.
   (3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days of sales = 365 / inventory turnover ratio.
   (6) Property, plant and equipment turnover ratio = net sales / net average property, plant and equipment.
   (7) Total assets turnover ratio = net sales / total average assets.
4. Profitability
   (1) Return on assets ＝ [net income + interest expense (1 - tax rate)] / average total assets.
   (2) Return on equity = after-tax profit /total average equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (income attributable to owners of parent - dividend to preferred stock) / weighted average of shares issued. (Note 4)
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
   (3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)
6. Leverage:
   (1) Operating leverage = (net operating income - variable operating cost and expenses) / operating income

(Note 6).

(2) Financial leverage = operating income / (operating income - interest expense).

Note 5: Precautions shall be taken when measuring the aforementioned earnings per share:

1. Based on the weighted average number of ordinary shares, rather than on the year-end number of issued shares.
2. Weighted average number of shares shall be based on the flow period during capital increase or treasury stock transactions.
3. For earnings transfer or capital reserve transfer, annual and semiannual earnings per share shall be tracked and adjusted according to the proportion of capital increase without considering the issuance period when capital increased.
4. If the preferred stocks are nonconvertible cumulative preferred stocks, the annual stock dividend (issued or not issued) shall exclude after-tax income or include after-tax loss. If the preferred stocks are noncumulative, then when there is after-tax income, preferred stocks shall exclude after-tax income, and no adjustment to preferred stocks is required when there are losses.

Note 6: The following precautions shall be taken when measuring cash flow:

1. Net cash flow of business activities refer to the net cash inflow in the company's business activity.
2. Capital expenditure refers to the cash outflow for annual capital investments.
3. Increase in inventory is calculated only when the balance at the end of a period exceeds the balance at the initial period; if the year-end inventory is reduced, then it shall be zeroed.
4. Cash dividend includes the cash dividend from holding ordinary and preferred stocks.
5. Gross property, plant, and equipment refer to the total property, plant, and equipment values before cumulative depreciation.

Note 7: Issuer shall categorize operating costs and expenditures into fixed or variable costs and expenditures according to their characteristics; when costs and expenditures are estimated or subjectively determined, their rationality and consistency shall be ensured.

Note 8: When company stocks have no face value or the face value per share is not NT$10, face value to paid-in capital shall be calculated according to the equity ratio that is based on the balance sheets of the owner of the parent.

2. Financial Analysis- Taiwan financial reporting standards

Unit: NT$1,000

Item (Note 2)			Year (Note 1) 2012	2013	2014	2015	2016
			Financial analysis (2012 - 2016)				
Financial structure (%)	Debt-to-assets ratio		24.23	-	-	-	-
	Long-term fund to fixed assets ratio		278.25	-	-	-	-
Solvency (%)	Current ratio		278.58	-	-	-	-
	Quick ratio		203.83	-	-	-	-
	Times interest earned		516.56	-	-	-	-
Operating ability	Receivables turnover ratio (times)		16.84	-	-	-	-
	Average days of collection		22	-	-	-	-
	Inventory turnover ratio (times) (Note 2)		-	-	-	-	-
	Payables turnover ratio (times)		6.98	-	-	-	-
	Average days of sales		-	-	-	-	-
	Fixed assets turnover ratio (times)		3.57	-	-	-	-
	Total assets turnover ratio (times)		0.67	-	-	-	-
Profitability	Return on assets (%)		12.21	-	-	-	-
	Return on shareholder's equity (%)		15.61	-	-	-	-
	Percentage of paid-in capital (%)	Operating income	24.12	-	-	-	-
		Income before tax	24.71	-	-	-	-
	Net profit margin (%)		18.22	-	-	-	-
	Earnings per share (NT$)		2.29	-	-	-	-
Cash flows	Cash flow ratio (%)		-	-	-	-	-
	Cash flow adequacy ratio (%)		-	-	-	-	-
	Cash reinvestment ratio (%)		-	-	-	-	-
Leverage	Operating leverage		1.19	-	-	-	-
	Financial leverage		1.00	-	-	-	-

Note 1: The 2012 - 2016 financial reports have been certified by the CPA.

Note 2: The Company is an information software service industry, with its primary business activity being the R&D and design of simulator rides. Regarding the mobile device software, the various application software are developed according to customer needs and are delivered to customers in the form of software applications. Therefore, the Company has no physical inventory of software systems. The Company primarily focuses on the R&D and design of simulator rides by using its design, R&D, and system integration capabilities as well as the hardware equipment of outsourced vendors. Because the Company's core value is its design, R&D, and system integration capabilities, its business characteristic differs from general manufacturing industries in that the Company manufactures and sells physical products. Therefore, inventory turnover ratio is not calculated.

Note 3: The business cash flow is nonsignificant when it is a negative value; therefore, its related ratios are not displayed.

Note 4: The following calculation formulas shall be displayed at the end of the tables of the annual report.

1. Financial structure
   (1) Debt-to-asset ratio = total liabilities / total assets.
   (2) Long-term fund to fixed assets ratio＝(net shareholders' equity + long-term debt) / net fixed assets.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.
   (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average days of collection = 365 / receivables turnover ratio.
   (3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days of sales = 365 / inventory turnover ratio.
   (6) Fixed assets turnover ratio＝net sales / net average fixed assets.
   (7) Total assets turnover ratio = net sales / total average assets.
4. Profitability
   (1) Return on assets ＝ [net income + interest expense (1 - tax rate)] / average total assets.
   (2) Return on shareholder's equity＝ net income / net average shareholders' equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share＝(net income - dividend to preferred stock) / weighted average of shares issued. (Note 4)
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
   (3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross fixed assets + long-term investment + other assets + working capital). (Note 5)
6. Leverage:
   (1) Operating leverage = (net operating income - variable operating cost and expenses) / operating income (Note 6).
   (2) Financial leverage = operating income / (operating income - interest expense).

Note 5: Precautions shall be taken when measuring the aforementioned earnings per share:

1. Based on the weighted average number of ordinary shares, rather than on the year-end number of issued shares.
2. Weighted average number of shares shall be based on the flow period during capital increase or treasury stock transactions.
3. For earnings transfer or capital reserve transfer, annual and semiannual earnings per share shall be tracked and adjusted according to the proportion of capital increase without considering the issuance period when capital increased.
4. If the preferred stocks are nonconvertible cumulative preferred stocks, the annual stock dividend (issued or not issued) shall exclude after-tax income or include after-tax loss. If the preferred stocks are noncumulative, then when there is after-tax income, preferred stocks shall exclude after-tax income, and no adjustment to preferred stocks is required when there are losses.

Note 6: The following precautions shall be taken when measuring cash flow:

1. Net cash flow of business activities refer to the net cash inflow in the company's business activity.
2. Capital expenditure refers to the cash outflow for annual capital investments.
3. Increase in inventory is calculated only when the balance at the end of a period exceeds the balance at the initial period; if the year-end inventory is reduced, then it shall be zeroed.
4. Cash dividend includes the cash dividend from holding ordinary and preferred stocks.
5. Gross fixed asset refers to the total fixed asset before cumulative depreciation.

Note 7: Issuer shall categorize operating costs and expenditures into fixed or variable costs and expenditures according to their characteristics; when costs and expenditures are estimated or subjectively determined, their rationality and consistency shall be ensured.

3. Supervisor Review Report

Refer to Appendix 2.

4. Financial Report and CPA Review Report

Refer to Appendix 3.

5. Individual financial report reviewed by CPA

Refer to Appendix 3 of the company's Chinese version 2016 annual report.

6. Financial difficulties and corporate events encountered by the Company and affiliates in the past two years and up to the date of report that have material impact on the financial status of the Company: None.

VII. Precautions of Review and Analysis of Financial Status and Business Performance

1. Financial status

(1) Consolidated

Unit: NT$1,000

Year / Item	2015	2016	Variation	
			Amount	%
Current assets	2,341,930	2,238,894	(103,036)	(4.40)
Property, plant and equipment	557,047	804,714	247,667	44.46
Other assets	249,061	247,236	(1,825)	(0.73)
Total Assets	3,148,038	3,290,844	142,806	4.54
Current liabilities	566,592	307,270	(259,322)	(45.77)
Non-current liabilities	88,140	336,388	248,248	281.65
Total liabilities	654,732	643,658	(11,074)	(1.69)
Share capital	446,780	446,780	-	-
Capital reserve	2,043,087	2,052,669	9,582	0.47
Undistributed earnings	220,459	211,682	(8,777)	(3.98)
Total shareholders' equity	2,493,306	2,647,186	153,880	6.17

Analysis and explanation of changes:
(1) Increase in fixed asset in 2016 was attributed to the acquirement of the new land and factory for the subsidiary.
(2) Increase in current liabilities and reduction in noncurrent liabilities in 2016 was because of the reclassifying the short-term loan to long-term loan.

(2) Induvidual

Unit: NT$1,000

Year / Item	2015	2016	Variation	
			Amount	%
Current assets	1,967,995	1,939,408	(28,587)	(1.45)
Property, plant and equipment	551,001	617,103	66,102	12.00
Other assets	609,978	584,472	(23,506)	(3.87)
Total Assets	3,126,974	3,140,983	14,009	0.45
Current liabilities	593,896	322,545	(271,351)	(45.69)
Non-current liabilities	88,140	224,388	136,248	154.58
Total liabilities	682,036	546,933	(135,103)	(19.80)
Share capital	446,780	446,780	-	-
Capital reserve	2,043,087	2,052,669	9,582	0.47
Undistributed earnings	220,459	211,682	(8,777)	(3.98)
Total shareholders' equity	2,444,938	2,594,050	149,112	6.10

Analysis and explanation of changes:
(1) Changes in current liabilities and noncurrent liabilities in 2016 were due to the reclassifying the short-term loan to long-term loan.

2. Financial performance

(1) Comparative analysis of business performance- Consolidate

Unit: NT$1,000

Item \ Year	2015	2016	Change (amount)	Variation as a percentage (%)
Sales revenue	705,424	881,670	176,246	24.98
Less: Returns and Allowances	-	-	-	-
Net revenue	705,424	881,670	176,246	24.98
Operating cost	371,463	436,733	65,270	17.57
Gross profit	333,961	444,937	110,976	33.23
Operating expenses	203,549	336,429	132,880	65.28
Operating income	130,412	108,508	(21,904)	(16.80)
Non-operating income and gain	33,618	34,029	411	1.22
Non-operating expense and loss	11,803	12,953	1,150	9.74
Income (loss) before tax	152,227	129,584	(22,643)	(14.87)
Income tax benefits (expenses)	(32,458)	(23,472)	(8,986)	(27.69)
Net profit (loss)	119,769	106,112	(13,657)	(11.4)

Analysis and explanation of changes:

(1) Increase in net revenue, gross profit and operating expenses is due to the growth of the copany’s business in 2016.

(2) Decrease of income tax expense is accounted for the expansion of the company’s cubsidiaries; therefore, the total operating expenses in 2016 were increased.

(2) Comparative analysis of business performance- Individual

Unit: NT$1,000

Item \ Year	2015	2016	Change (amount)	Variation as a percentage (%)
Sales revenue	690,617	865,220	174,603	25.28
Less: Returns and Allowances	-	-	-	-
Net revenue	690,617	865,220	174,603	25.28
Operating cost	381,147	474,779	93,632	24.57
Gross profit	304,396	395,515	91,119	29.93
Operating expenses	193,810	284,543	90,733	46.82
Operating income	110,586	110,972	386	0.35
Non-operating income and gain	42,533	34,513	(8,020)	(18.86)
Non-operating expense and loss	11,803	24,050	12,247	103.76
Income (loss) before tax	141,316	121,435	(19,881)	(14.07)
Income tax benefits (expenses)	(28,932)	(20,081)	(8,851)	(30.59)
Net profit (loss)	112,384	101,354	(11,030)	(9.81)

Analysis and explanation of changes:

(1) Increase in net revenue, operating cost, gross profit and operating expenses is due to the growth of the copany’s business in 2016.

(2) Non-operating expense and loss is caused by the recognition of loss through subsidiaries and loss on financial assets at fair value through profit or loss

(3) Decrease in net income .profit before tax and Income tax expense was caused by reasons mentioned above.

(3) Expected Sales Volume and Criteria

On the basis of current industrial environment and future market supply and demand, as well as information relevant to R&D schedule and business development, the Company expects its business to growth steadily in 2017.

3. Cash flows

(1) Analysis on the cash flow changes - Consolidated

Unit: NT$1,000

Item	2015	2016	Changes (increase/decrease)
Net cash inflow (outflow) from operating activities	(299,404)	128,078	128,078
Net cash inflow (outflow) from investing activities	(766,615)	633,086	633,086
Net cash inflow (outflow) from financing activities	1,484,212	(1,397,513)	(1,397,513)

Analysis and explanation of changes:
(1) In 2016, net business cash outflow increased primarily because of net income and the change of related assets and liabilities.
(2)In 2015, net investment cash outflow increased primarily because of Acquisition of held-to-maturity financial assets, acquisition of investments accounted for using equity method, and the construction of the Phase 2 R&D Testing and Experience Center.
(3) In 2015, the net financing cash inflow increased because of issue common stock for cash.

(2) Analysis on the cash flow changes - Individual

Unit: NT$1,000

Item	2015	2016	Changes (increase/decrease)
Net cash inflow (outflow) from operating activities	(301,286)	(51,514)	249,772
Net cash inflow (outflow) from investing activities	(1,116,265)	82,995	1,199,260
Net cash inflow (outflow) from financing activities	1,443,212	(51,270)	(1,494,482)

Analysis on the cash flow changes of in these two years:
(1) In 2016, net business cash outflow increased primarily because of net income and the change of related assets and liabilities.
(2)In 2015, net investment cash outflow increased primarily because of Acquisition of held-to-maturity financial assets, acquisition of investments accounted for using equity method, and the construction of the Phase 2 R&D Testing and Experience Center.
(3) In 2015, the net financing cash inflow increased because of inssue common stock for cash.

(3) Improvement plan for inadequate liquidity: None.

(4) Cash flow analysis for the coming year

Unit: NT$1,000

Cash balance, beginning	Expected cash flow from operating activities	Expected cash flow from investment and financing activities	Expected cash surplus (deficit) + -	Remedial measures for expected cash deficit	
				Investment plan	Financing plan
482,221	977,038	(363,593)	1,095,666	-	-

(1) Expected cash flow from operating activities: Cash inflow will be attribute to net income and the change of related assets and liabilities.
(2) Expected cash flow from investment and financing activities: Cash inflow will be attribute to share of the profit of subsidiaries and associates and interest earned.
(3) Remedial measures for expected cash deficit: None

4. Effect of major capital spending on financial position and business operation

(1) Major capital spending and sources of funds

Unit: NT$1,000

Project	Actual or expected source of funds	Actual or estimated completion date	Total funding need	Actual or expected status of spending	
				2016	2017
Business office	Market fund-raising	106.11	940,000	418,063	-

(2) Anticipated benefit

(1) Enhance R&D testing capacity to increase corporate competitiveness

(2) Integrate office and plant to raise operational efficiency

(3) Improve working environment to increase employee commitment

5. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

(1) Investment transfer policy

The Company currently focuses its investment transfer policy on business investment related targets and does not invest in other businesses. Related executing department handles affairs according to the Investment Circulation regulations of its internal control system and Procedure for Processing the Acquisition and Disposal of Assets, both of which have been reviewed and approved by the Board of Directors.

(2) Reasons for investment profit or loss in recent years

In accordance with the Company's business expansion and future development, Brogent's subsidiaries were set up in 2015 and 2016 for different purposes listed as below:

Investee Company	Business Scope
Brogent Mechanical Inc.	Manufacture and sales of the simulator rides and its key components
Brogent Creative Inc.	Development and sales of the peripheral products of simulator rides
Brogent Global Inc.	Development and management business of self-operated outlets
Brogent Hong Kong Limited	Reinvestment and trading business
Brogent Rides (Shanghai) Limited	Import and export business
Brogent Creative (Shanghai) Limited	Development and management business of self-operated outlets
Brogent Japan Entertainment Joint-Stock Corporation	Management business and development and sales of the peripheral products of simulator rides in Japan

Since the subsidiaries are newly established, no significant revenue was generated. In 2016, the total revenue from the affiliated companies accounted 1.87% of the consolidated revenue. The total profit was NT$4,758 thousand. Once the subsidiaries grow, the Company’s consoliated revenue is expected to increase accordingly.

(3) Investment plan for the next year

The Company will review and evaluate our investment plant from a long-term strategic perspective to strengthen the channel-content management strategy and continue to strengthen our global competitiveness.

6. Analysis of risks in recent years up to the publishing date of the annual report

(1) Impact of interest rate and exchange rate changes and inflation on Company’s profit and response measures:

(1) Impact of interest rate on Company's profit and response measures

The Company uses its funds conservatively and steadily; the operation-generated funds are stored as time deposits and current deposits. The interests earned in 2015 and 2016 were respectively NT$14,659 thousand and 7,836 thousand. The bank loan interest expenses were respectively NT$487 thousand and NT$5,151 thousand. The interest earned and ratio of expenditure as a percentage of operating income and net income before tax was low. Because the Company is increasing its business scale and building the R&D Testing and Experience Center, it is expected that the Company will need more loans in NTD. The Company will remain vigilant at changes in the banks' interest rate and maintain a good relationship with its cooperating banks so that the Company can acquire preferential interest rate to reduce the effects of interest rate variations on the Company operation.

(2) During recent years up to the annual report publishing date, the effects of exchange rate variations on the Company's profit and its future response measures

The business focus of the Company is mobile device software and simulator rides; the downstream customers are major foreign and domestic cellphone manufacturers as well as developers of theme parks. Our mobile device software is priced in USD, and the simulator rides are priced in either NTD or foreign currency depending on the region of sale. Therefore, foreign currency assets are generated. The net foreign exchange gain was NT$7,435 thousand accounting for 1.05% and 4.88% of the operating income and net profit margin before tax of 2015 ; he net foreign exchange gain was (NT$6,841) thousand accounting for (0.78%) and (5.28%) of the operating income and net profit margin before tax of 2016. Because exchange rate changes influence the profits of the Company, the Company's management authorities pay close attention to the exchange rate trends and reinforce the management of risks in exchange rate fluctuations. The corresponding measures adopted are as follows:

①Because of the gradual increase in export sales, the Company attempts to mitigate the effects of exchange rate changes by setting up a foreign currency savings account to manage foreign currencies. The Company assigns designated personnel from the finance department to sell excess foreign currencies under optimal conditions according to the daily foreign currency balance and monthly fund estimates, to reduce the impact of exchange rate changes on the profit.

②When giving quotes to foreign customers, the business department considers the effects of exchange rate variations on product prices and refers to the prices adjusted according to the changing exchange rates, or negotiates a new price in NTD with the customer, thereby mitigating the effects of exchange rate variations on the profit of the Company.

③Our finance department personnel maintains a close contact with the foreign exchange departments of frequent interacting banks to adequately acquire market information and use such information to forecast the long- and short-term trends of the exchange rage and sell or buy in foreign currencies in a timely manner. Thus, the effects of exchange rate variations on the profitability of the Company can be reduced.

④At the appropriate timing, the Company will have its finance department personnel to review the changes in the foreign exchange market and consider foreign exchange fund requirements and balances to determine whether hedging derivative financial instrument operating strategies should be used in accordance with the Procedure for Processing the Acquisition and Disposal of Assets, such as buying forwards in advance to avert exchange rate risks, thereby minimizing the effects of exchange rate variations on the profit of the Company.

(3) During recent years up to the annual report publishing date, the effects of inflation on the Company's profit and its future response measures:

The Company profits have not experienced material influence from inflation; it is predicted that such effect remains limited on the Company's profits. The Company will continue to monitor the inflation situation and adequately adjust its product prices accordingly.

(2) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

(1) The Company has always focused on its main business activities and upheld the practical principle of managing a business. Our financial policy is based on the principle of robustness and conservativeness, and thus the Company does not engage in high-risk, high-leveraging investment as well as derivative instrument transactions.

(2) From 2016 to 2017 and up to the annual report publishing date, the Company has not engaged in providing endorsement and guarantee, lending to others, and derivatives transactions. If such engagements are required in the future, it shall be executed in accordance with the "Operating Procedure for Endorsements and Guarantees," "Operating Procedure for Fund Lending," and "Procedure for Acquisition or Disposal of Assets" and relevant transaction information shall be announced in accordance with laws and regulations.

(3) Future R&D projects and estimated R&D expenditure:

To continuously enhance the Company's competitiveness, the Company has always actively invested in R&D efforts. In 2015 and 2016, it has expended a total of NT$63,288 thousand and NT$95,569 thousand in R&D, respectively accounting for 8.97% and 10.84% of the net operating income. It is expected that a total of NT$93,270 thousand will be expended in R&D in 2017, and the Company's future R&D projects are as follows:

Unit	New products under development
Creativity center	A.Games (1).Interactive game combining motion simulation and technology (2).Sensory interactive game combining augmented reality and related 3D imaging technologies (3).d-Ride interactive shooting game B.Digital content production (including cooperative development) C.Theme planning and renovation design D.Applied equipment combined with wearable device E.Novel projector technical development F.Theme-based peripheral product development
Technical center	A.Group interactive motion theater development B.Novel simulator ride product development C.Platform-controlled technological optimization D.Mechanical design optimization E.Arts design refinement F.Equipment miniaturization

(4) Major changes in government policies and laws at home and broad and the impact on Company finance and business and response measures:

During recent years up to the annual report publishing date, major changes in government policies and laws at home and broad exerted no material effect on Company finance and business. The Company will acquire relevant information in a timely manner and formulate necessary response measures to meet company operation requirements.

(5) Impact of recent technological and market changes during recent years up to the annual report publishing date on the Company's finance and business, and response measures:

The Company has constantly paid attention to technological and market changes and designated personnel to search for information regarding industry-related technologies and trend variations to provide a reference for decision-making at the management level. The information can facilitate adjusting operational strategies and devise response measures. Therefore, there were no impact of recent technological and market changes on the Company's finance and business.

(6) Impact of corporate image change on risk management and response measures:

Since its inception, the Company actively strengthens its internal management, focusing on the management of its main business activities. In addition, it endeavors to maintain corporate image and compliance with relevant laws and regulations. To date, there have been no changes to the Company's image that would cause risks to company operation. In future, the Company will continue to comply with and implement corporate governance requirement, and consult relevant experts in a timely manner, to reduce the effects of such risk on the Company's finance and business.

(7) Expected benefits and potential risks of merger and acquisition and response measures:

During recent years up to the annual report publishing date, the Company has not undertaken merger and acquisition plans. In the future, when evaluating and implementing relevant plans, the Company shall handle related matters according to laws and regulations and the Company's internal management regulations.

(8) Expected benefits and potential risks of capacity expansion and response measures:

The Company has relocated to the newly constructed R&D Testing Center in January 2013, as a response to prepare for the Company's future expansion, increase its R&D and testing capacities, and raise its operational efficiency requirements. After relocating to the new plant, the Company's image, ability to receive orders, and management efficiency have improved, which is conducive to its business expansion. Because of the currently accepted and expected projects, the Company's R&D testing capacity is inadequate. The Company has started the construction of a R&D Testing and Experience Center in the lower half of 2014 and completed construction in 2016. The R&D Testing and Experience Center not only facilitates determining consumers' entertainment needs regarding simulator rides, but also improves product development, testing and production capacity, increases the capacity to receive more orders and market share, and magnify the gap between the Company and its competitors in competitive advantage. The Company has carefully evaluated the funding requirement for business expansion and properly planned the use of the funds. The Company will raise funds in a capital market to support the construction works. However, if market fund-raising fails, the Company has a low credit limit remaining in bank loans and thus it will apply for construction financing loans from the bank. In addition, the Company's cash flow from operating activities should be enough to support the expansion requirement; therefore, the Company is not subject to the risk of shortage of funds caused by the construction of the R&D Testing and Experience Center.

(9) Risks associated with over-concentration in purchase or sale and response measures:

(1) Purchases

The Company is a professional manufacturer of simulator rides, purchasing stocks according to the project designs of various simulator rides. The Company also commissions manufacturers to undergo hardware processing. In the past 2 years, purchases exceeding 15% of a single manufacturer were made for precision mechanical products, in addition to the intensive shipments in year 2016. Therefore, the Company is not associated with risks of overly concentrating stock purchases.

(2) Sales

Because simulator rides involve high manufacturing cost, the Company primarily receives income from selling simulator rides since our entry into the simulator ride market. The proportion of sales to simulator ride customers is also demonstrating an increasing trend annually. Following the successful operation of the FlyOver Taiwan project, the Company has attracted the attention of global amusement park and tourist attraction operators, and these operators have visited the Company to engage in negotiations and experience the products themselves. According to customer demand, the Company designs and integrates upstream software and hardware systems and technologies, selling them to downstream operators, including theme parks, museums, shopping malls, and urban experience center. With the increasing popularity and word of mouth of the Company as well as partnering with internationally well-known companies, the Company has expanded from the domestic market to China, North American regions, and Euroasian regions, effectively reducing its reliance on a single customer, thereby mitigating the risk of sales concentration.The upstream industries associated with the simulator ride equipment comprise the hardware section, including precision machinery industry and manufacturers of spherical screens and projectors, and the software section, including wireless embedded control system, spherical projector and playback control systems, and digital contents.

(10) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interests on the Company, associated risks and response measures:

During recent years up to the annual report publishing date, there were no mass transfers of equity by or change of directors, supervisors, or shareholders holding more than 10% interests on the Company.

(11) Impact of change of management rights on the Company, associated risk and response measures:

In 2016 and 2017 up to the annual report publishing date, there were no negative impacts from changes in management rights.

(12) Litigation or non-litigation events

(1) Disclose the litigation facts, target amount, litigation start date, main parties involved, and current progress regarding concluded or pending litigious, non-litigious, or administrative litigation events, the potential effects of the outcomes on shareholder equity or security prices during the recent two years up to the annual report publishing date: None.

(2) The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company during the recent two years up to the annual report publishing date: None.

(3) The involvement of the director, supervisor, president, and major shareholders holding more than 10% interest in events regulated in Article 157 of the Securities and Exchange Act during the recent two years up to the annual report publishing date, and the Company's current progress in handling such events: None.

(13) Other significant risks and response measures: None.

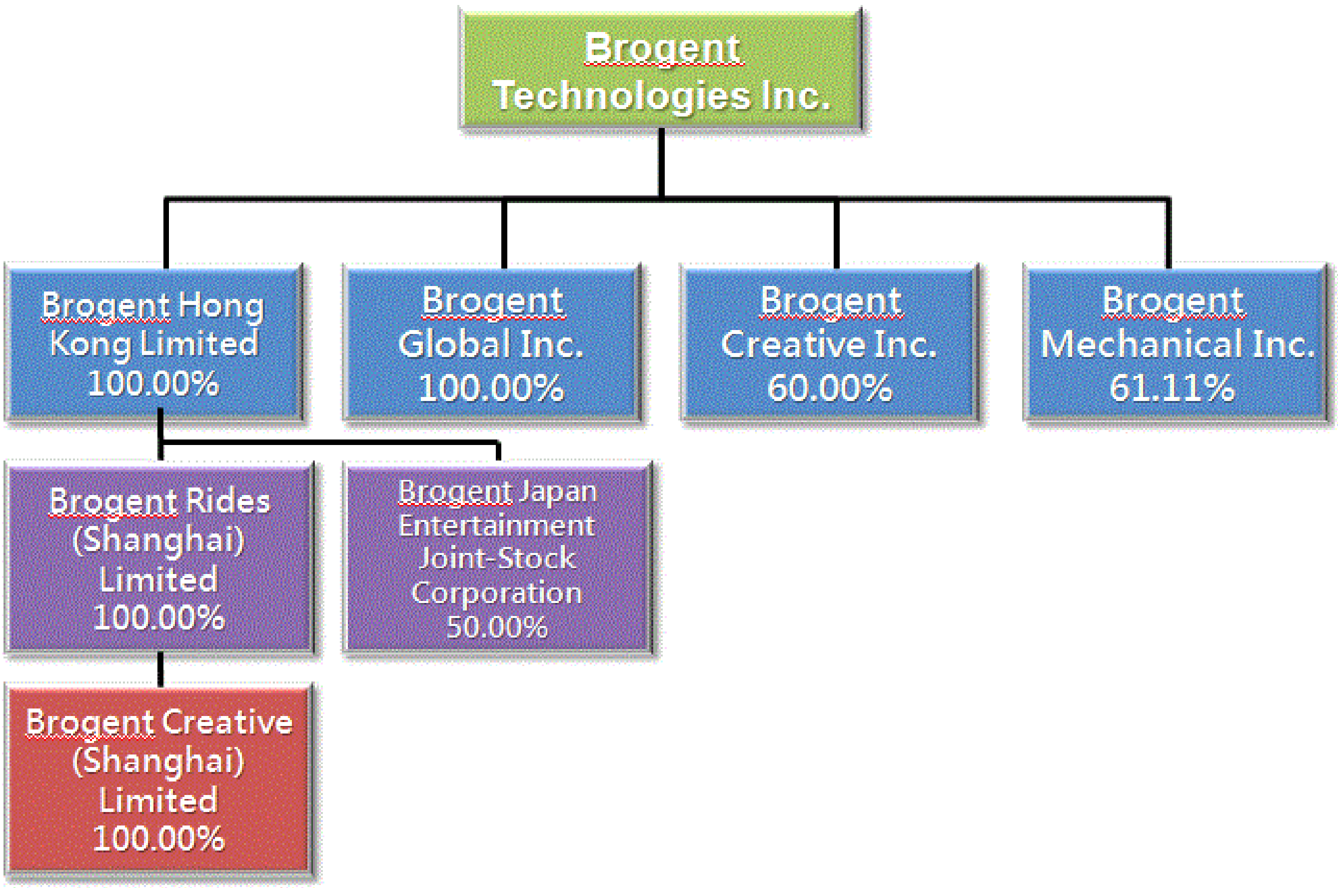
7.Other important events: None.

VIII. Important Notices

1. Profile on affiliates and subsidiaries

(1) Subsidiaries Iperation Report

A. Subsidiary Chart



B. Business Scope of each subsidiary

Investee Company	Date of Establishment	Location	Investment Amount	Business Scope
Brogent Mechanical Inc.	May, 2015	Taoyuan, Taiwan	NTD 65,450,000	Manufacture and sales of the simulator rides and its key components
Brogent Creative Inc.	April, 2015	Kaohsiung , Taiwan	NTD 9,000,000	Development and sales of the peripheral products of simulator rides
Brogent Global Inc.	September, 2015	Taipei, Taiwan	NTD 300,000,000	Development and management business of self-operated outlets

Investee Company	Date of Establishment	Location	Investment Amount	Business Scope
Brogent Hong Kong Limited	June, 2015	Kowloon, Hong Kong	USD1,700,000	Reinvestment and trading business
Brogent Rides (Shanghai) Limited	July, 2015	Shanghai, China	USD700,000	Import and export business
Brogent Creative (Shanghai) Limited	September, 2015	Shanghai, China	RMB3,000,000	Development and management business of self-operated outlets
Brogent Japan Entertainment Joint-Stock Corporation	August, 2016	Tokyo, Japan	JPY25,000,000	Management business and development and sales of the peripheral products of simulator rides in Japan

C. Shareholders in Common of Brogent and Its Subsidiaries with Deemed Control and Subordination: **None.**

D. Rosters of Directors, Supervisors, and Presidents of Brogent's Subsidiaries

Investee	Title	Name or Representative	Shares Held	
			Shares	Percentatge
Brogent Creative Inc.	Chairman	Brogent Technologies Inc. Representative：Chun-Hao Cheng	900,000	60 %
	Director	Brogent Technologies Inc. Representative：Pei-Chi Ho	900,000	60 %
	Director	Brogent Technologies Inc Representative：Shohei Yoshida	900,000	60 %
	Director	Brogent Technologies Inc Representative：Tsuyoshi Ito	900,000	60 %
	Director	Muse Communication Co., Ltd. Representative：Kuo-Hsiang Yang	75,000	5%
	Supervisor	Pei-Kuan Lee	-	-
Brogent Mechanical Inc.	Chairman	Brogent Technologies Inc. Representative：Chih-Hung Ouyang	6,545,000	61.11%
	Director	Sunny Enterprises Co., Ltd. Representative：Wen-Hsiang Kao	4,165,000	38.89%
	Director	Brogent Technologies Inc.	6,545,000	61.11%

Investee	Title	Name or Representative	Shares Held	
			Shares	Percentatge
		Representative：Teng-Hung Lai		
	Supervisor	Fei-Hsiu Hsu	-	-
Brogent Hong Kong Limited	Chairman	Brogent Technologies Inc. Representative：Pei-Chi Ho	-	100%
Brogent Rides (Shanghai) Limited	Chairman	Brogent Technologies Inc. Representative：Pei-Chi Ho	-	100%
	Supervisor	Brogent Technologies Inc. Representative：Pei-Kuan Lee	-	100%
Brogent Creative (Shanghai) Limited	Chairman	Brogent Technologies Inc. Representative：Pei-Chi Ho	-	100%
	Supervisor	Brogent Technologies Inc. Representative：Pei-Kuan Lee	-	100%
Brogent Global Inc.	Chairman	Brogent Technologies Inc. Representative：Chih-Hung Ouyang	30,000,000	100%
	Director	Brogent Technologies Inc. Representative：Pei-Chi Ho	30,000,000	100%
	Director	Brogent Technologies Inc. Representative：Ming-Chi Chang	30,000,000	100%
	Supervisor	Brogent Technologies Inc. Representative：Sui-Chuan Lin	30,000,000	100%
Brogent Japan Entertainment Joint-Stock Corporation	Chairman	Kodansha Company, Limited Representative：Kohei Furukawa	500	50%
	Director	Kodansha Company, Limited Representative：Shohei Yoshida	500	50%
	Director	Brogent Hong Kong Limited Representative：Chih-Hung Ouyang	500	50%
	Director	Brogent Hong Kong Limited Representative：Chun-Hao Cheng	500	50%
	Supervisor	Kodansha Company, Limited Representative：Mitusyuki Shiraishi	500	50%
	Supervisor	Brogent Hong Kong Limited Representative：Sen-Hao Cheng	500	50%

(2) Operational Highlights of Subsidiaries

Unit: NT$1,000 As of Dec. 31, 2016

Investee	Capital	Total Asset	Total Liabilities	Net Value	Revenue	Profit	Net Income (After Tax)	EPS (NTD)
Brogent Creative Inc	15,000	15,958	361	15,597	4,834	806	672	0.45
Brogent Mechanical Inc.	107,100	381,745	260,222	121,522	134,207	17,299	12,449	1.16
Brogent Global Inc.	300,000	284,611	6,496	278,114	30,587	(19,629)	(20,109)	(0.67)
Brogent Hong Kong Limited	54,063	97,331	47,814	49,517	-	(1,972)	(1,972)	-
Brogent Rides	22,690	19,989	-	19,989	-	(1,390)	(1,390)	-

Investee	Capital	Total Asset	Total Liabilities	Net Value	Revenue	Profit	Net Income (After Tax)	EPS (NTD)
(Shanghai) Limited								
Brogent Creative (Shanghai) Limited	14,961	63,525	50,330	13,194	-	(1,198)	(1,198)	-
Brogent Japan Entertainment Joint-Stock Corporation	7,458	14,395	422	13,974	-	540	540	-

(3) Consolidated Financial Statements: Please refer to Appendix 3.

2. Private placement of corporate bonds in the past years to the date of the annual report

Item	Private Placement No.1 Date of Issue: February 06, 2015				
Types of Privately Placed Securities	Ordinary shares				
Date and number of shares passed in the shareholders' meeting	On December 19, 2014, the Shareholders' extraordinary meeting passed the private placement of 6,000 ordinary shares, which shall take place once in a year starting from the date of resolution.				
Pricing criteria and rationality	The pricing criterion for the issuance of privately placed ordinary share resolved in the shareholders' meeting on December 19, 2014 was no less than 60% of the reference price. Because the private placement price was less than 80% of the private placement reference price, CPA Shun-Fa Hsu from Deloitte & Touche was requested to produce a private placement price rationality independent expert opinion book on November 1, 2014. This conforms to the regulation of public issuing companies regarding the terms and condition of private placement securities; therefore, the price should be reasonable.				
Method of selecting designated party	Limited to the designated party as regulated under Article 43-6 of the Securities and Exchange Act.				
Necessary reason for private placement	The current private placement is aimed to recruit strategic investors through which the Company can strengthen its customer structure, product combination, and marketing abilities. Compared with publicly placed securities, privately placed securities may not be transferred freely within three years, and such regulation ensures the long-term cooperation between the Company and placement subscribers.				
Date of Payment Completion	2015.01.05				
Subscriber information	Private placement subject (Note 5)	Criteria (Note 6)	Number of shares subscribed	Relation with company	Participation in corporate management
	Ruentex Development Co. Ltd.	Conforms to Article 43-6 of the Securities and Exchange Act	1,800,000	None.	None.
	Ruentex Industries Ltd.		1,800,000	None.	None.
	Changchun Investment Co. Ltd.		1,555,000	None.	None.
	Chihping Investment Co. Ltd.		200,000	None.	None.
	Yong-Fang Chiang		6,000	None.	None.
	Sheng-Yu Hsu		6,000	None.	None.
	Shou-Jen Chen		28,000	None.	None.
	Ling-Chung Meng		7,000	None.	None.
	Shun-Long Chen		123,000	None.	None.
	Kuo-Ming Lu		6,000	None.	None.
	Deng-Chih Chang		6,000	None.	None.
	Shu-Feng Yeh		6,000	None.	None.
	Shu-Ming Liu		6,000	None.	None.
	Bi-Yang Tsai		37,000	None.	None.
	Hua-Tong Chao		18,000	None.	None.
	Chun-Hsiang Wu		18,000	None.	None.
	Kuo-Song Chan		3,000	None.	None.

	Tong-Hui Lin		18,000	None.	None.
	Cheng-Cheng Liu		1,000	None.	None.
	Chih-Tsang Lu		6,000	None.	None.
	Chih-Chuan Chen		22,000	None.	None.
	Chen-Wei Mah		20,000	None.	None.
	Cheng-Chuan Chen	Conforms to Article 43-6 of the Securities and Exchange Act	22,000	None.	None.
	Chih-Fan Wang		22,000	None.	None.
	Chuan-Thai Cheng		22,000	None.	None.
	Chong-Hsian Liu		22,000	None.	None.
	Dah-Meng Tseng		22,000	None.	None.
	Fan-Wen Meng		22,000	None.	None.
	Long-Yeh Chuo		22,000	None.	None.
	Chih-Chang Hsu		22,000	None.	None.
	Shih-Hsun Lai		22,000	None.	None.
	Shih-Ning Dong		44,000	None.	None.
	Chang-Cheng Chien		22,000	None.	None.
	Chih-Hong Li		22,000	None.	None.
	Ming-Chun Chen		22,000	None.	None.
Actual subscription (or conversion) price	NT$240.				
Actual subscription (or conversion) price and difference with reference price	No difference				
Effect of private placement on shareholder's equity	The current private placement funds are utilized as operational funds to strengthen financial structure, facilitate operation promotion, attract long-term partners, and promote stable business growth, thus benefiting the shareholders' rights and interests.				
Status of private placement fund spending and project implementation progress	All funds have been received and will be successively utilized following planning completion.				
Manifestation of private placement benefits	Not applicable.				

<table>
<tr><td>Item</td><td colspan="5">Private Placement No. 2
Date of Issue: July 06, 2015</td></tr>
<tr><td>Types of Privately Placed Securities</td><td colspan="5">Ordinary shares</td></tr>
<tr><td>Date and number of shares passed in the shareholders' meeting</td><td colspan="5">On June 11, 2014, the Shareholders' meeting passed the private placement of 3,300 ordinary shares, which shall take place once or twice in a year starting from the date of resolution.</td></tr>
<tr><td>Pricing criteria and rationality</td><td colspan="5">The pricing criterion for the issuance of privately placed ordinary share resolved in the shareholders' meeting on June 11, 2014, was no less than 6 80% of the private placement reference price. This conforms to the regulation of public issuing companies regarding the terms and condition of private placement securities; therefore, the price should be reasonable.</td></tr>
<tr><td>Method of selecting designated party</td><td colspan="5">Not applicable.</td></tr>
<tr><td>Necessary reason for private placement</td><td colspan="5">The current private placement is aimed to recruit strategic investors through which the Company can strengthen its customer structure, product combination, and marketing abilities. Compared with publicly placed securities, privately placed securities may not be transferred freely within three years, and such regulation ensures the long-term cooperation between the Company and placement subscribers.</td></tr>
<tr><td>Date of Payment Completion</td><td colspan="5">2015.06.03</td></tr>
<tr><td rowspan="7">Subscriber information</td><td>Private placement subject</td><td>Criteria</td><td>Number of shares subscribed</td><td>Relation with company</td><td>Participation in corporate management</td></tr>
<tr><td>Kodasha Custody Account in Taipei Fubon Financial Bank</td><td rowspan="6">Conforms to Article 43-6 of the Securities and Exchange Act</td><td>250,000</td><td>None</td><td>None</td></tr>
<tr><td>Gains Investment Corporation</td><td>500,000</td><td>None</td><td>None</td></tr>
<tr><td>Shang Yang Investment Corporation</td><td>100,000</td><td>None</td><td>None</td></tr>
<tr><td>Chao Yang Investment Corporation</td><td>100,000</td><td>None</td><td>None</td></tr>
<tr><td>Cheng-Chien Pu</td><td>50,000</td><td>None</td><td>None</td></tr>
<tr><td>Ming-Chu Kuo</td><td>30,000</td><td>None</td><td>None</td></tr>
<tr><td>Actual subscription (or conversion) price</td><td colspan="5">NT$308</td></tr>
<tr><td>Actual subscription (or conversion) price and difference with reference price</td><td colspan="5">No difference</td></tr>
<tr><td>Effect of private placement on shareholder's equity</td><td colspan="5">The current private placement funds are utilized as operational funds to strengthen financial structure, facilitate operation promotion, attract long-term partners, and promote stable business growth, thus benefiting the shareholders' rights and interests.</td></tr>
<tr><td>Status of private placement fund spending and project implementation progress</td><td colspan="5">All funds have been received and will be successively utilized following planning completion.</td></tr>
<tr><td>Manifestation of private placement benefits</td><td colspan="5">Not applicable.</td></tr>
</table>

3. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report:
   Not applicable.

4. Other supplemental information
   Items of Commitment: The Company has executed or signed letter of understanding regarding items of commitment to listing and trading over the counter.

IX. Items of impact of interests of shareholders or stock price

None.

Appendix

Appendix 1：Statement of Internal Control System

Brogent Technologies Inc.

Statement of Internal Control System

Date: March 14, 2017

Based on the findings of a self-assessment, Brogent Technologies Inc. (Brogent) states the following with regard to its internal control system during the year of 2016：

1. Brogent's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Brogent takes immediate remedial actions in response to any identified deficiencies.
3. Brogent evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Brogent has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Brogent believes that, on December 31, 2016, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement will be an integral part of Brogent's Annual Report for the year 2016 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 14, 2017, with the seven attending directors all affirming the content of this Statement.

Brogent Technologies Inc.

Chairman：Chung-Ming Huang

President： Chih-Hung Ouyang

Appendix 2：Supervisor's Review Report

Supervisor's Review Report

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Grant Thornton was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements and Profit Allocation Proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Brogent Technologies Inc. According to Article 219 of the Company Law, we hereby submit the report.

To the 2017 Annual General Meeting

Brogent Technologies Inc.

Supervisor：Chun-Nan Chen

Supervisor：Chun-Hao Cheng

Supervisor：Yung-Liang Huang

March 14, 2017

Appendix 3：Consolidated Financial Statements and Independent Auditors’ Report

Brogent Technologies Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors’ Report

---

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

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Brogent Technologies Inc. as of and for the year ended December 31, 2016, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards No.10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Brogent Technologies Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

BROGENT TECHNOLOGIES INC.

By

HUANG, CHUNG-MING
Chairman
March 14, 2017

正大聯合會計師事務所
Grant Thornton

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Brogent Technologies Inc. and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters in this auditors' report are stated as follows:

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 92% of the annual net revenue. The carrying amount of accounts receivable at the end of 2016 accounts for approximately 15% of current assets. The amount is significant and is the main cash flows provided by the operating activities of the Group. These involve the identification and subjective judgment for the construction contract, so it has been identified as a key audit matter.

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

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

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

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

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

Impairment of Property, Plant and Equipment and Intangible Assets

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

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

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

Other Matters - Individual Financial Statements

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieve fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton.

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

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

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

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

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

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings per Share)

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

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										
	Capital Stock			Retained Earnings			Other Equity				
Items	Common Stock	Advance Receipts for Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising on Translation of Foreign Operations	Treasury Stock	Equity Attributable to Shareholders of the Parent	Noncontrolling Interests	Total Equity
Balance at January 1, 2016	$446,780	$-	$2,043,087	$25,877	$-	$194,582	$684	($266,072)	$2,444,938	$48,368	$2,493,306
Appropriations of prior year's earnings											
Legal reserve	-	-	-	11,238	-	(11,238)	-	-	-	-	-
Special reserve	-	-	-	-	751	(751)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(110,610)	-	-	(110,610)	-	(110,610)
Adjustments to share of changes in equities of associates and joint venture	-	-	16	-	-	-	-	-	16	-	16
Net income in 2016	-	-	-	-	-	101,354	-	-	101,354	4,758	106,112
Other comprehensive income (loss) in 2016	-	-	-	-	-	479	(2,289)	-	(1,810)	-	(1,810)
Total comprehensive income in 2016	-	-	-	-	-	101,833	(2,289)	-	99,544	4,758	104,302
Share-based payment transactions	-	-	9,566	-	-	-	-	150,596	160,162	10	160,172
Balance at December 31, 2016	$446,780	$-	$2,052,669	$37,115	$751	$173,816	($1,605)	($115,476)	$2,594,050	$53,136	$2,647,186
Balance at January 1, 2015	$336,800	$4,494	$459,496	$3,434	$-	$223,746	$-	$-	$1,027,970	$-	$1,027,970
Appropriations of prior year's earnings											
Legal reserve	-	-	-	22,443	-	(22,443)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(79,360)	-	-	(79,360)	-	(79,360)
Stock dividends	39,680	-	-	-	-	(39,680)	-	-	-	-	-
Adjustments to share of changes in equities of associates and joint venture	-	-	17	-	-	-	-	-	17	-	17
Net income in 2015	-	-	-	-	-	112,384	-	-	112,384	7,385	119,769
Other comprehensive income (loss) in 2015	-	-	-	-	-	(65)	684	-	619	-	619
Total comprehensive income in 2015	-	-	-	-	-	112,319	684	-	113,003	7,385	120,388
Issuance of common stock for cash	70,300	(4,494)	1,583,574	-	-	-	-	-	1,649,380	-	1,649,380
Purchase of Treasury stock	-	-	-	-	-	-	-	(266,072)	(266,072)	-	(266,072)
Noncontrolling interests	-	-	-	-	-	-	-	-	-	40,983	40,983
Balance at December 31, 2015	$446,780	$-	$2,043,087	$25,877	$-	$194,582	$-	($266,072)	$2,444,938	$48,368	$2,493,306

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

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

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

(Continued)

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

Items	2016	2015
Cash Flows From Investing Activities		
Proceed from sale (acquisition) of debt investments with no active market	186,352	(392,517)
Acquisition of held-to-maturity financial assets	(33,900)	-
Acquisition of financial assets carried at cost	(25,356)	-
Acquisition of investments accounted for using equity method	(6,910)	-
Acquisition of property, plant and equipment	(227,700)	(294,685)
Decrease (increase) in refundable deposits	504	(6,211)
Acquisition of intangible assets	(39,480)	(13,783)
Decrease (increase) in other financial assets	7,500	-
Increase in prepayments for equipment	(2,543)	(73,754)
Interest received	8,004	14,335
Net cash used in investing activities	(133,529)	(766,615)
Cash Flows From Financing Activities		
Proceeds from short-term bank loans	20,000	-
Proceeds from long-term bank loans	368,620	146,020
Repayments of long-term bank loans	(336,347)	(6,594)
Cash dividends paid	(110,610)	(79,360)
Proceeds from issuing shares	-	1,649,380
Cash paid for purchase of treasury stock	-	(266,072)
Proceed from purchase of treasury stock by employee	150,144	-
Interest paid	(5,118)	(162)
Increase (decrease) in noncontrolling interests	10	41,000
Net cash provided by financing activities	86,699	1,484,212
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,758)	824
Net Increase (Decrease) in Cash and Cash Equivalents	(220,914)	419,017
Cash and Cash Equivalents, Beginning of Year	703,135	284,118
Cash and Cash Equivalents, End of Year	$482,221	$703,135

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

BROGENT TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

1. GENERAL

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 14, 2017.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016 (Note3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016

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

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

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

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

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

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

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

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

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

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

Except for the aforementioned impact, as of the date that the accompanying consolidated financial statements were authorized for issue, the Group continues in evaluating the impact on its financial position and financial performance as a result of amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The related impact will be disclosed when the Group completes the evaluation.

(2) <u>IFRSs issued by IASB but not yet endorsed by the FSC</u>

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014 - 2016 Cycle	(Note 2)
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date and Transition Disclosure"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarifications to IFRS 15"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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

A. IFRS 9, "Financial Instruments"

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

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

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

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

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

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

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

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

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

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

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

(a) Identify the contract with the customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

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

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

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

C. IFRS 16, "Leases"

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

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

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

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

(2) Basis of Preparation

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

(3) Basis of Consolidation

A. Basis for preparation of consolidated financial statements

The Group shall prepare consolidated financial statements for the first time in the second quarter of 2015. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Brogent has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

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

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

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

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

B. Subsidiaries included in the consolidated financial statements

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

				Percentage of Ownership		
Name of Investor	Name of Investee	Business Scope	Location	December 31, 2016	December 31, 2015	Note
Brogent Technologies Inc.	Brogent Mechanical Inc.	Manufacture and sales of the simulator rides and its key components	May, 2015 Taoyuan City	61.11%	61.11%	1
	Brogent Creative Inc.	Development and sales of the peripheral products of simulator rides	April, 2015 Kaohsiung City	60.00%	60.00%	1

	Brogent Hong Kong Limited	Reinvestment and trading business	June, 2015 Hong Kong	100%	100%	1
	Brogent Global Inc.	Development and management business of self-operated outlets	September, 2015 Taipei City (Note 2)	100%	100%	1
Brogent Hong Kong Limited	Brogent Rides (Shanghai) Limited	Import and export business	July, 2015 Shanghai	100%	100%	1
Brogent Rides (Shanghai) Limited	Brogent Creative (Shanghai) Limited	Development and management business of self-operated outlets	September, 2015 Shanghai	100%	100%	1

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

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

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

(4) Foreign Currency Translation

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

Regarding to the net investment in a foreign operation or long-term receivables or loans, including all foreign subsidiaries, their financial statements are translated into the presentation currency as follows: assets and liabilities are translated at the closing exchange rate at the date of that balance sheet; income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; equity items, other than the beginning retained earnings carryforward, are translated at the historical exchange rates; dividends are translated using the exchange rates at the declaration date; and all resulting exchange differences are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in a separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

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

(5) Classification of Current and Noncurrent Assets and Liabilities

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

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

(6) Cash Equivalents

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

(7) Inventories

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

(8) Construction Contracts

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

If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognized only to the extent of contract costs incurred that it is probable will be recoverable and contract costs should be expensed as incurred.

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

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

(9) Investments Accounted for Using Equity Method

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

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

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

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

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

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

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

When the Group subscribes to additional shares in an associate or a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate or joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the

Group’s ownership interest is reduced due to the additional subscription to the shares of associate or joint venture by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or joint venture shall be reclassified to profit or loss on the same basis as would be required if the associate or joint venture had directly disposed of the related assets or liabilities.

When a consolidated entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group’s consolidated financial statements only to the extent of interests in the associate or joint venture that are not owned by the Group.

(10) Property, Plant and Equipment

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

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

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

(11) Intangible Assets

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

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

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

(12) Impairment of Tangible and Intangible Assets

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

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

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

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

(13) Provisions

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

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

(14) Employee Benefits

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

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

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

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

(15) Financial Instruments

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

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

(16) Financial Assets

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

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

A. Financial assets at fair value through profit or loss

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

B. Held-to-maturity financial assets

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

C. Financial assets carried at cost

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

D. Debt investments with no active market

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

E. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) financial assets at fair value through profit or loss; (b) available-for-sale financial assets; (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Such financial assets are measured at amortized cost using the effective interest method, less any impairment, except for those loans and receivables with immaterial discounted effect. The effective interest rate calculation includes discounts or premiums and transaction costs.

F. Impairment of financial assets

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

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

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

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

G. Derecognition of financial assets

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

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

(17) Financial Liabilities and Equity Instruments

A. Classification as debt or equity

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

B. Equity instruments

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

C. Financial liabilities

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

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

D. Derecognition of financial liabilities

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

(18) Share-based Payment

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

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

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

(20) Income Tax

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

A. Current tax

The tax charge of current period and of current adjustments on prior years tax estimation are calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period.

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

B. Deferred tax

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

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

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

C. Others

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

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

(21) Government Grants

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

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

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

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

(22) Revenue and Expense Recognition

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

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

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

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

(23) Earnings Per Share

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

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

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

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

(1) Impairment of Tangible and Intangible Assets

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

(2) Realization of Deferred Income Tax Assets

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

(3) Valuation of Inventory

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

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

(4) Accrued Pension Liabilities

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

(5) Share-based Payment

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

(6) Changed The Useful Life of Depreciation Assets

The Company's buildings are structured with a steel-reinforced concrete construction. After considering the main structure and actual usage of the buildings, the buildings were assessed to have the longer useful life. Therefore, to be in compliance with the consumption of the future economic benefits of the buildings, the Company re-considered the estimated useful life of these buildings. In response to the buildings' current status and future economic benefits, the Board of Directors resolved to change the useful life from 20 years to 50 years on December 30, 2015, which was effective from 2016. The change of the estimated useful life decreased depreciation expenses by NT$3,622 thousand in 2016, and a quarter of the amount was about NT$906 thousand, with the effect of any changes in estimates accounted for on a prospective basis.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

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

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

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

Held for Trading Financial Assets	December 31, 2016	December 31, 2015
Beneficiary certificates	$135,675	$128,671

(3) Debt Investments with No Active Market

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

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

(4) Accounts Receivables and Long-term Accounts Receivables

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

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

Except for those impaired, for the rest of accounts receivable, the account aging analysis at the end of the reporting period is summarized in the following table. Accounts receivables include amounts that are past due but for which the Group has not recognized a specific allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable. The Group does not hold any collateral for accounts receivable.

Aging analysis of accounts receivable

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

Movements of the allowance for doubtful receivables

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

(5) Construction Contracts

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

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

(6) Inventories

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

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

Held-to-maturity financial assets	December 31, 2016	December 31, 2015

Non-publicly traded stocks - Preferred shares	$33,900	$-

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

(8) Financial Assets Carried at Cost-noncurrent

Financial Assets Carried At Cost	December 31, 2016	December 31, 2015
Non-publicly traded equity instruments	$25,356	$-

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

(9) Investments Accounted for Using Equity Method

A. Investments in joint venture:

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

B. Joint venture consisted of the following:

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

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

(10) Property, Plant and Equipment

	2016							
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
Cost								
Balance at January 1	$-	$153,278	$11,034	$1,140	$20,669	$22,622	$395,961	$604,704
Additions	139,868	57,255	586	-	11,891	37,807	38,243	285,650
Disposals	-	-	-	-	-	-	-	-
Reclassifications	-	421,680	-	-	4,598	6,594	(434,156)	(1,284)
Balance at December 31	139,868	632,213	11,620	1,140	37,158	67,023	48	889,070
Accumulated Depreciation and Impairment								
Balance at January 1	-	26,424	5,470	56	10,013	5,694	-	47,657
Depreciation	-	18,645	2,124	228	7,857	7,845	-	36,699
Disposals	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Balance at December 31	-	45,069	7,594	284	17,870	13,539	-	84,356
Balance at December 31, net	$139,869	$587,144	$4,026	$856	$19,288	$53,484	$48	$804,714
Balance at January 1, net	$-	$126,854	$5,564	$1,084	$10,656	$16,928	$395,961	$557,047

	2015							
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
Cost								
Balance at January 1	$-	$152,421	$-	$-	$14,400	$19,281	$154,501	$340,603
Additions	-	857	6,001	1,140	6,340	8,374	241,460	264,172
Disposals	-	-	-	-	(71)	-	-	(71)
Reclassifications	-	-	5,033	-	-	(5,033)	-	-
Balance at December 31	-	153,278	11,034	1,140	20,669	22,622	395,961	604,704
Accumulated Depreciation and Impairment								
Balance at January 1	-	17,161	-	-	5,465	7,279	-	29,905
Depreciation	-	9,263	1,641	56	4,611	2,244	-	17,815

Disposals	-	-	-	-	(63)	-	-	(63)
Reclassifications	-	-	3,829	-	-	(3,829)	-	-
Balance at December 31	-	26,424	5,470	56	10,013	5,694	-	47,657
Balance at December 31, net	$-	$126,854	$5,564	$1,084	$10,656	$16,928	$395,961	$557,047
Balance at January 1, net	$-	$135,260	$-	$-	$8,935	$12,002	$154,501	$310,698

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

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

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

D. One part of the land of Brogent Mechanical Inc., located in Zhongshan Rd., Xinwu Dist., Taoyuan City, is used for farming only, and in accordance with the regulations, the farmland is owned and registered in the name of an individual. However, Brogent Mechanical Inc. has obtained the agreement of the counterparty that at any time as the request of Brogent Mechanical Inc., the counterparty shall change the registration of the land to Brogent Mechanical Inc. or other person designated by Brogent Mechanical Inc., with no any consideration given. As of December 31, 2016, the farmland, which was mainly used for plants, was accounted for 1.6% of the total land areas of the Group, amounting to NT$2,202 thousand.

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

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

(11) Intangible Assets

	2016				
	Computer Software	Patent	Franchise	Profit sharing right	Total
Cost					
Balance at January 1	$24,119	$-	$-	$-	$24,119
Additions	38,422	325	232	15,763	54,742
Disposals	(2,436)	-	-	-	(2,436)
Reclassifications	-	-	14,368	97,274	111,642
Balance at December 31	60,105	325	14,600	113,037	188,067

	2016				
	Computer Software	Patent	Franchise	Profit sharing right	Total
Accumulated amortization and impairment					
Balance at January 1	10,132	-	-	-	10,132
Amortization	16,410	52	4,392	10,362	31,216
Disposals	(2,436)	-	-	-	(2,436)
Reclassifications	-	-	-	-	-
Balance at December 31	24,106	52	4,392	10,362	38,912
Balance at December 31, net	$35,999	$273	$10,208	$102,675	$149,155
Balance at January 1, net	$13,987	$-	$-	$-	$13,987

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

The Company signed a construction contract for indoor playground equipment of the theme park. According to the contract, the Company exchanged the simulation entertainment equipment for profit sharing right of ticket sales of the theme part. The cost of profit sharing right was measured at the carrying amount of the simulation entertainment equipment given up.

Since February 2016, profit sharing right was amortized on an average basis over its estimated useful life of 10 years, and revenue from profit sharing was recognized. Please refer to Note 6(22) for the details of recognizing revenue from profit sharing right of ticket sales, and refer to Notes 9(3) and (4) for the details of the contract commitments.

(12) Other Current and Noncurrent Assets

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

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

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

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

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

(13) Short-Term Loans

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

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

(14) Other Payables

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

(15) **Long-term Bank Loans**

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

	December 31, 2016	December 31, 2015
Loan period from February 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in February 2015 and repayment of principal upon maturity.	-	22,666
Loan period from March 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in March 2015 and repayment of principal upon maturity.	-	12,501

	December 31, 2016	December 31, 2015
Loan period from April 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in April 2015 and repayment of principal upon maturity.	-	5,789
Loan period from May 2015 to April 2016; monthly payment of interest at an interest rate of 1.83% beginning in May 2015 and repayment of principal upon maturity.	-	7,975
Loan period from June 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in June 2015 and repayment of principal upon maturity.	-	15,314

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

	December 31, 2016	December 31, 2015
Loan period from December 2015 to April 2016; monthly payment of interest at an annual rate of 1.83% beginning in December 2015 and repayment of principal upon maturity.	-	10,474

	December 31, 2016	December 31, 2015
Loan period from April 2016 to October 2031; monthly repayment of interest at an annual rate of 1.57%~1.82% beginning in April 2016 and monthly repayment of principal.	230,897	-
CTBC Bank：		
Loan period from January 2016 to January 2032; monthly payment of interest at an annual rate of 1.94%~2.00% beginning in January 2016 and quarterly repayment of principal.	120,000	-
	350,897	318,624
Less：Current portion	(21,681)	(238,060)
Noncurrent liabilities	$329,216	$80,564

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

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

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

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

(16) Pensions

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

A. The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company makes monthly contributions to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds. As of December 31, 2016 and 2015, the Company's pension account balance was NT$1,236 thousand and NT$991 thousand, respectively.

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

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

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

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

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

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

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

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

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

D. Actuarial assumptions:

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

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

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

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

	December 31, 2016	December 31, 2015
The expected contributions to the plan for the next year	$240	$192
The average duration	18 years	19 years

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

(17) Capital Stock

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

As of December 31, 2016, the authorized shares were 50,000 thousand shares, including 2,000 thousand shares reserved for employee stock options. A holder of issued shares with par value of NT$10 per share is entitled to vote and to receive dividends. The issued and paid shares were 44,678 thousand shares.

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

(18) Additional Paid-in Capital

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

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

(19) Retained Earnings and Dividend Policy

A. If there are net profits of each fiscal year, the Company shall set aside 10%~15% of the profits as employees' compensations and no more than 2% as directors' and supervisors' remuneration; however, the Company shall first offset the accumulated deficits, if any. The employees' compensations referred above are able be paid in stocks or cash, and the employees include the employees of affiliated companies, who are qualified for certain conditions set by Board of Directors.

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

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

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

C. The appropriations of earnings for 2015 had been resolved at the shareholders' meeting on May 31, 2016. The appropriations were as follows:

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

D. The appropriations of earnings for 2016 had been approved in the meeting of the Board of Directors held on March 14, 2017 and are to be presented for approval in the shareholders' meeting. The appropriations were as follows:

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

E. According to the amendments to the R.O.C. Company Law in May 2015, the dividends and bonuses shall be distributed to shareholders and the employees are not entitled to share bonuses. Please refer to Note 6(24) for the details of the accrued and actual amounts of employees' bonuses and directors' and supervisors' remuneration.

(20) Treasury Stock

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

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

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

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

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

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

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

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

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

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

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

(21) Share-based Payment

A. As of 31 December, 2016, Brogent Mechanical Inc. issued employee share option as follows:

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

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

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

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

(22) Net Revenue

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

(23) Other Gains and Losses

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

Total	$18,391	$7,643

(24) Additional Information of Expenses by Nature

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

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

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

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

In accordance with Brogent Technologies Inc. Articles, if there are net profits of each fiscal year, the employees’ compensation and directors and supervisors’ remuneration for 2015 was estimated by ratio, amounting to NT$16,059 thousand and NT$3,212 thousand, respectively, which was approved by the general shareholders’ meetings held on May 31,

2016. The actual distribution amounts above were state of agreeing with the proposal of the Board of Directors on March 9, 2016 and had been recognized as expenses in 2015.
The accrued amounts of employees' compensation and directors' and supervisors' remuneration were recognized as expenses. If the actual distribution amounts subsequently resolved by the shareholders' meeting differ from the accrued amounts, the differences should be recognized in profit or loss in next year. The information about the appropriations of employees' compensation and directors' and supervisors' remuneration as proposed by the Board of Directors and resolved by the shareholders' meeting will be posted in the "Market Observation Post System" at the website of Taiwan Stock Exchange.

(25) Income Tax

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

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

B. Income tax expense recognized in other comprehensive income:

	2016	2015
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plans	$98	($13)

Exchange differences arising on translation of foreign operations	(469)	140
	($371)	$127

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

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

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

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

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

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

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

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

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

F. Integrated income tax information of the Company:

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

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

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

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

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

(26) Earnings per Share

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

Earnings per share is computed as follows:

	Amount (In Thousands)	Number of Shares (In Thousands)	Earnings Per Share (NT$)
2016			
Basic earnings per share			
Net income attributable to common shareholders of the parent	$101,354	44,142	$2.30
Effect of dilutive potential common shares	-	-	
Diluted earnings per share			
Net income attributable to common shareholders of the parent (including effect of dilutive potential common shares)	$101,354	44,142	$2.30
2015			
Basic earnings per share			
Net income attributable to common shareholders of the parent	$112,384	43,712	$2.57
Effect of dilutive potential common shares	-	-	
Diluted earnings per share			
Net income attributable to common shareholders of the parent (including effect of dilutive potential common shares)	$112,384	43,712	$2.57

7. RELATED PARTY TRANSACTIONS

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

A. Revenues

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

B. Purchases

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

C. Receivables from related parties

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

D. Payables to related parties

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

E. Acquisition of other assets

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

F. Other related parties transactions

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

Financial Statement Items	Type of Related Parties	2016	2015

Administrative expenses	Entities with significant influence over the subsidiary	$565	$3,000
Selling and marketing expenses	Entities with significant influence over the subsidiary	$-	$920
Research and development expenses	Entities with significant influence over the subsidiary	$-	$286
Refundable deposits (At the end of the year)	Entities with significant influence over the subsidiary	$-	$500

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

(2) Key management compensation was as follows:

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

8、PLEDGED ASSETS

Pledged Assets	December 31, 2016	December 31, 2015	Purpose
Other financial assets-current (Pledged time deposits)	$133,620	$67,133	Construction performance guarantee, warranty
Other financial assets-current (Restricted assets-reserve account)	-	3,284	Construction performance guarantee
Other financial	15,000	22,500	Lease development

assets-noncurrent (Pledged time deposits)			guarantee
Land	139,868	-	Long-term loans
Buildings	449,848	126,854	Long-term loans
Total book value	$738,336	$219,771	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

(2) Significant Operating Lease Arrangements

In order to raise up the technical level, corporate image, and focus on research and development resources in response to future continual growth, the Company should increase capacity to achieve the goal of sustainable management. The Company leased 1.85 hectares of land from the Kaohsiung Software Technology Park to establish the Operations Research and Development Center on February 29, 2012. The lease period is 20 years, beginning from March 14, 2012 to March 13, 2032. The lease agreements can be renewed upon expiration. As of December 31, 2016, the Company had pledged time deposits for the purpose of lease development guarantee amounting to NT$15,000 thousand. The lease payments recognized in 2016 and 2015 were NT$7,424 thousand and NT$6,437 thousand, respectively.

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

The future aggregated minimum lease payments are as follows:

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

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

(4) The Company signed a copyright contract with the seller in October 2014, including franchise fees amounting to 6,250 thousand yen and guaranteed royalties amounting to 48,000 thousand yen. The Company shall continue to pay royalties based on the contract provision even the guaranteed royalties are in-sufficient during the copyright period.

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None

12. OTHERS

(1) Financial Instruments

A. Categories of financial instruments

Financial Assets	December 31, 2016	December 31, 2015
Cash and cash equivalents	$482,221	$703,135
Financial assets at fair value through profit or loss	135,675	128,671
Debt investments with no active market-current	533,600	719,952
Accounts and notes receivable	312,405	271,064
Accounts and notes receivable-related parties	25,681	3,095
Held-to-maturity financial assets-noncurrent	33,900	-
Financial assets carried at cost-noncurrent	25,356	-
Refundable deposits	9,129	9,633
Other financial assets	148,620	92,917
Long-term receivables	-	16,368
Total	$1,706,587	$1,944,835

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

B. Financial risk management objectives

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

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

C. Market risk

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

(a) Foreign currency risk

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

The Group's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable (or favorable) 10% movement in the levels of the United States dollar against the New Taiwan dollar, the net income for the years ended December 31, 2016 and 2015 would have decreased (or increased) by NT$27,989 thousand and NT$50,953 thousand, respectively. Assuming an unfavorable (or favorable) 10% movement in the levels of the Canadian dollar against the New Taiwan dollar, the net income for the years ended December 31, 2016 and 2015 would have decreased (or increased) by NT$1,200 thousand and NT$4,038 thousand, respectively. Assuming an unfavorable (or favorable) 10% movement in the levels of the Euro against the New Taiwan dollar, the net income for the years ended December 31, 2016 and 2015 would have decreased (or increased) by NT$3,193 thousand and NT$7,307 thousand, respectively. Assuming an unfavorable (or favorable) 10% movement in the levels of the Chinese Yuan against the New Taiwan dollar, the net income for the years ended December 31, 2016 and 2015 would have decreased (or increased) by NT$9,347 thousand and NT$16,816 thousand, respectively.

(b) Interest rate risk

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

The Group's sensitivity analysis to interest rate risk mainly focuses on changes in interest rates of fixed-income investments and fixed-rate loans at the end of the reporting period. Assuming an increase (or decrease) in interest rates of 10 basis point (0.1%), the net income for the years ended December 31, 2016 and 2015 would have decreased (or increased) by NT$160 thousand and NT$359 thousand, respectively.

(c) Other price risk

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

The Group's sensitivity analysis to price risk mainly focuses on changes in fair value at the end of the reporting period. Assuming an increase (or decrease) of 7% in prices of financial instruments, the net income for the years ended December 31, 2016 and

2015 would have increased (or decreased) by NT$9,497 thousand and NT$9,007 thousand, respectively.

D. Credit risk management

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

(a) Business related credit risk

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

As of December 31, 2016 and 2015, the Group's top three largest customers accounted for 71.64% and 65.43% of accounts receivable, respectively. The Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

(b) Financial credit risk

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

E. Liquidity risk management

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

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

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

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

F. Fair value of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There were no purchases and disposals for assets on Level 3 for the years ended December 31, 2016 and 2015, respectively.

(2) Capital Risk Management

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

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

December 31, 2016	December 31, 2015

	Foreign Currencies	Exchange Rate	TWD	Foreign Currencies	Exchange Rate	TWD
Financial Assets						
Monetary items						
USD	$9,348	32.25	$301,473	$15,610	32.78	$511,696
CAD	502	23.91	12,003	1,716	23.53	40,377
EUR	1,011	33.90	34,273	2,053	35.68	73,251
CNY	22,123	4.97	168,354	33,874	4.97	168,354
JPY	180	0.28	50	107	0.27	29
Non-monetary items						
JPY	33,333	0.28	9,333	48,000	0.27	12,960
CNY	-	4.62	-	4	4.97	20
Financial Liabilities						
Monetary items						
USD	669	32.25	21,575	66	32.88	2,170

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

13. ADDITIONAL DISCLOSURES

(1) Related Information on Significant Transactions

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

7	Total purchases from or sales to related parties reaching NT$100 million or 20% of the paid-in capital or more	5
8	Receivables from related parties reaching NT$100 million or 20% of the paid-in capital or more	None
9	Derivative financial instruments undertaken during the reporting period	None
10	Others: The business relationship between the parent and the subsidiaries and significant transactions between them	6

(2) <u>Information on Investees</u>

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

(3) <u>Information on Investments in Mainland China</u>

Please see Table 8 attached.

Table 1: Endorsement/guarantee provided as of December 31, 2016

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1 and 2)	Maximum Balance for the Period (Note 3)	Ending Balance- (Note 3)	Amount Actually Drawn (Foreign Currents in Thousands)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	Brogent Technologies Inc.	Brogent Rides (Shanghai) Limited	Investee of Subsidiary	$778,215	$141,000	$141,000	-	-	5.44%	$1,297,025	Yes	No	Yes
		Brogent Creative (Shanghai) Limited	Investee of Subsidiary	778,215	94,000	94,000	-	-	3.62%	1,297,025	Yes	No	Yes

Note 1：The amount provided to each guaranteed party shall not exceed thirty percent (30%) of Brogent Technologies Inc.'s net equity.

Note 2：The total amount of guarantee provided shall not exceed fifty percent (50%) of Brogent Technologies Inc.'s net equity.

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

Table 2: Marketable Securities Held as of December 31, 2016 (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

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

				December 31, 2016				
Held Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Securities Issuer (Note 2)	Financial Statement Item	Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands) (Note 3)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands) (Note 4)	Remark (Note 4)
Brogent Technologies Inc.	Callable Bond							
	Central Government 104-1	None	Cash equivalents	-	$20,000	-	$20,000	
	02 TSMC 1A	None	Cash equivalents	-	20,000	-	20,000	
	01 TSMC 2A	None	Cash equivalents	-	20,000	-	20,000	
	Central Government 105-A8	None	Cash equivalents	-	40,000	-	40,000	
	02 FPG2A	None	Cash equivalents	-	9,667	-	9,667	
	01 UMC1A	None	Cash equivalents	-	20,222	-	20,222	
	01 FPG2A	None	Cash equivalents	-	10,111	-	10,111	
	01 UNI-PRESIDENT 1	None	Cash equivalents	-	30,000	-	30,000	
	Fund							
	Nomura - Global Bond Portfolio	None	Financial assets at fair value through profit or loss-current	1,968	20,017	-	20,017	
	JPMorgan - Global Emerging Markets Corporate Bond Fund	None	Financial assets at fair value through profit or loss-current	1,835	19,500	-	19,500	

Held Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Securities Issuer (Note 2)	Financial Statement Item	December 31, 2016 Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands) (Note 3)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands) (Note 4)	Remark (Note 4)
	Taishin - 1699 Money Market Fund	None	Financial assets at fair value through profit or loss-current	1,495	20,033	-	20,033	
	Prudential- Money Market Fund	None	Financial assets at fair value through profit or loss-current	1,280	20,046	-	20,046	
	Prudential - RMB Money Market Fund	None	Financial assets at fair value through profit or loss-current	957	RMB 10,000	-	RMB 10,000	
	Yuanta - Yuanta Global USD Corporate Bond	None	Financial assets at fair value through profit or loss-current	983	9,620	-	9,620	
Brogent Global Inc.	Callable Bond							
	00Cathay United 2A	None	Cash equivalents	-	25,000	-	25,000	
	Common Stock							
Brogent Global Inc.	This is Holland B.V.	None	Financial assets carried at cost - noncurrent	-	17,856	10%	17,856	
	Jump Media International Co., LTD.	None	Financial assets carried at cost - noncurrent	200	7,500	2.86%	7,500	
	Preferred Stock							
	This is Holland B.V.	None	Financial assets in held-to-maturity - noncurrent	-	33,900	-	33,900	

				December 31, 2016				
Held Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Securities Issuer (Note 2)	Financial Statement Item	Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands) (Note 3)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands) (Note 4)	Remark (Note 4)

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

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

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

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

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

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

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

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

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

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

Note 1：One part of the land of Brogent Mechanical Inc., located in Zhongshan Rd., Xinwu Dist., Taoyuan City, is used for farming only, and in accordance with the regulations, the farmland is owned and registered in the name of an individual. However, Brogent Mechanical Inc. has obtained the agreement of the counterparty that at any time as the request of Brogent Mechanical Inc., the counterparty shall change the registration of the land to Brogent Mechanical Inc. or other person designated by Brogent Mechanical Inc., with no any consideration given. As of December 31, 2016, the farmland, which was mainly used for plants, was accounted for 1.6% of the total land areas of the Group, amounting to NT$2,202 thousand.

Table 5: Intercompany Relationships and Significant Intercompany Transactions or 20% of the Paid-in Capital or More

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

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

Table 6: <u>Intercompany Relationships and Significant Intercompany Transactions</u>

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

Numbers	Name of transactions	Counterparty	Nature of Relationship (Note1)	Transaction situations			
				Financial Statements Items	Amounts	Transaction Terms (Note2)	Percentage of Consolidated Net Revenue or Total Assets
0	Brogent Technologies Inc.	Brogent Mechanical Inc.	1	Payables to related parties	$99,967	-	3%
				Prepayments	58,230	-	2%
				Purchases	131,048	-	15%
		Brogent Creative Inc.	1	Rental Incomes	72	-	-
		Brogent Global Inc.	1	Payables to related parties	3,310	-	-
				Advance by projects	60,000	-	2%
				Sales	2,653	-	-
				Purchases	3,152	-	-
				Labor costs	12,000	-	1%
				Marketing costs	2,571	-	-
				Rental Incomes	1,200	-	-
				Disposals	329	-	-
1	Brogent Creative Inc.	Brogent Global Inc.	2	Receivables to related parties	222	-	-
				Sales	4,834	-	1%

Note1: “1” represents the transactions from parent company to subsidiary.

“2” represents the transactions from subsidiary to subsidiary.

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

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

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

Investor Company	Investee Company	Location	Business Scope	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2016(Foreign Currencies in Thousands)	December 31, 2015	Shares (In Thousands)	Percentage of Ownership	Carrying Value(Foreign Currencies in Thousands)			
Brogent Technologies Inc.	Brogent Mechanical Inc.	Taoyuan City	Manufacture and sales of the simulator rides and its key components	$55,000	$55,000	6,545	61.11%	$74,263	$12,449	$7,608	Subsidiary
	Brogent Creative Inc.	Kaohsiung City	Development and sales of the peripheral products of simulator rides	9,000	$9,000	900	60.00%	8,838	672	(126)	Subsidiary
	Brogent Hong Kong Limited	Hong Kong	Reinvestment and trading business	54,063 (USD 1,700)	54,063 (USD 1,700)	-	100.00%	49,517 (USD 1,535)	(1,972) (USD (61))	(1,972)	Subsidiary
	Brogent Global Inc.	Taipei City (Note 2)	Development and management business of self-operated outlets	300,000	300,000	30,000	100.00%	278,114	(20,109)	(20,109)	Subsidiary
Brogent Hong Kong Limited	Brogent Japan Entertainment Joint-Stock Corporation	Tokyo	Management business and development and sales of the peripheral products of simulator rides in Japan	7,458 (JPY 25,000)	-	-	50.00%	6,640 (JPY 24,092)	540 (JPY 1,815)	270 (JPY 908)	Joint Venture

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

Note 2: Brogent Global Inc. has been relocated to Kaohsiung City, Taiwan in January 2017.

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

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

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

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

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

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

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

(3) Others.

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

14. OPERATING SEGMENTS INFORMATION

(1) Operating Segments

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

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

(2) Geographic Information

	Revenue		Noncurrent Assets	
	2016	2015	December 31, 2016	December 31, 2015
Taiwan	$107,566	$79,964	$956,412	$756,430
Asia	389,411	222,244	-	-
Europe	28,357	191,648		
United States	356,336	211,568	-	-
Total	$881,670	$705,424	$956,412	$756,430

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

(3) Production and Service Information

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

(4) **Major Customer's Information**

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

智崴資訊科技股份有限公司

董事長　　　黃仲銘