(English Translation of Consolidated Financial Report Originally Issued in Chinese)

EASTERN MEDIA INTERNATIONAL CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(With Independent Accountants' Audit Report Thereon)

Address: 8F., No. 368, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City 106, Taiwan
Telephone: 886-2-2755-7565

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Representation Letter

The entities that are required to be included in the combined financial statements of Eastern Media International Corporation as of and for the year ended December 31, 2017, under the *Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises* are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10 *Consolidated Financial Statements* endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Eastern Media International Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Eastern Media International Corporation

Opinion

We have audited the consolidated financial statements of Eastern Media International Company (the "Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, 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 with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the report from other auditors, is sufficient and appropriate to provide a basis of our opinion.

Other Matter

We did not audit the financial statements of certain consolidated subsidiaries with total assets representing 6.37% of the consolidated total assets as of December 31, 2016 investment income representing 268.97% of the consolidated net income and loss before tax for the years ended December 31, 2016. The financial statements of these companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, is based solely on the reports of the other auditors.

We have also audited the non-consolidated financial statements of the Company (restated) as of and for the years ended December 31, 2017 and 2016, and have issued an unqualified opinion thereon.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit on the consolidated financial statements in the current period. These matters were addressed in the context of our audit on the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   The accounting principles on the recognition of revenue and the related sales returns and allowances are discussed in Note 4(19) of the notes to consolidated financial statements. The description of revenue recognition are discussed in Note 6(22) of the notes to consolidated financial statements.

   (a.) Key audit matters:

   The Group's subsidiary, Eastern Home Shopping & Leisure Co., Ltd.(EHS), is engaged in online and television shopping business, catering to a large number of customers with significant volume of transactions. The operating income of the Group amounted to $11,345,679, constituting 80% of its consolidated operating income. There is a significant risk whether its sales transactions can be properly recognized and transferred in the system, in which most of the sales transactions are recorded. Therefore, revenue recognition is one of the key matters in our audit.

   (b.) Auditing procedures performed:

   In response to the risk mentioned above, we plan to perform the following audit procedures: understanding the sales and collection cycle, and the relevant application of systems and manual controls, performing test of detail on revenue, checking and reconciling the sales system data and general ledger entries; as well as performing sales cut-off test on the periods before and after the balance sheet date by inspecting relevant documents of sales transactions to determine whether sales have been appropriately recognized.

2. A provision for onerous contracts

   Please refer to Note 4(17) for the accounting policy related to the provision, Note 5 for the accounting assumptions and the estimate used on measuring the provision, and Note 6(16) for description of the provision.

   (a.) Key audit matters:

   For the year ended December, 31, 2017, the provision for onerous contracts of the Group amounted to $217,205. This might have a significant impact on the presentation and disclosure of the consolidated financial statements as a result of uncertain rental income forecasted according to the freight in the future market. Therefore, the assessment on the provision is one of the key matters in our audit.

(b.) Auditing procedures performed:

In response to the risk mentioned above, we plan to perform the following audit procedures: understanding the internal operating procedures and the accounting treatment for provision; obtaining the information on accounting assumptions for measuring the provision used by the management and the freight report made by external expert; assessing the description of the market situation and the appropriateness of the accounting assumptions; and verifying whether the assessment and presentation of the provision for onerous contracts at the end of the period was appropriate. Inquire expert's professional field and ability, experience and reputation, and obtain an independent statement of expert.

3. Goodwill impairment

Please refer to Note 4(14) for the accounting policy related to the intangible assets, and Note 4(15) for non-financial asset impairment, Note 5 for the accounting assumptions and the estimate used on measuring the goodwill evaluation, and Note 6(12) for description of the intangible assets.

(a.) Key audit matters:

The Group acquired the goodwill of $3,254,181, constituting 22% of its consolidated assets after the business combination of its subsidiary and Eastern Home Shopping & Leisure Co., Ltd.(EHS) in April 2017. The said matter is significant to the consolidated financial statements. Therefore, the evaluation of goodwill impairment is one of the key matters in our audit.

(b.) Auditing procedures performed:

In response to the risk mentioned above, we plan to perform the following audit procedures: understanding the internal control and accounting policy for goodwill impairment; obtaining the information on which the management relied to make assumptions and evaluations on the report made by external expert; engaging evaluation experts to assess the appropriateness of the evaluation method and assumptions used by them, including the discount rate and the forecast of future cash flows; comparing the forecasted and historical data, past forecasts and actual conditions; evaluating the reasonableness of past management's estimates; as well as assessing the external expert's professional ability, experience and reputation.

4. Proceeds from disposal of investments accounted for using equity method

Please refer to Note 4(11) for the accounting policy related to investments in associates, and Note 6(6) for description of proceeds from disposal of investments accounted for using equity method.

(a.) Key audit matters:

The Group disposed its investments in Eastern Broadcasting Co., Ltd. (“EBC”), accounted for using equity method, on November 2, 2017, after obtaining the approval from the board of directors. The registration of share transfer was completed in November 2017. The Group recognized a gain of disposal of $3,052,750, which was deemed significant for the consolidated income. Therefore, the disposal investments accounted for using equity method is one of the key matters in our audit.

(b.) Auditing procedures performed:

In response to the risk mentioned above, we plan to perform the following audit procedures: understanding the control activities and the accounting treatment of the acquisition and disposal of assets; verifying whether the procedures performed by the management comply with the regulations legislated by the authorities; obtaining the supporting documents of the transfer of equity and verifying the collection of the considerations; as well as evaluating whether the gain of disposal of asset is correctly calculated and fairly presented.

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 and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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 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 the auditing standards generally accepted in 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 auditing standards generally accepted in 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 achieves fair presentation.

6. Obtain sufficient and 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 of the current period 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.

The engagement partners on the audit resulting in this independent auditors’ report are Shih-Chin Chih and Shu-Ling Lien.

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit (or review) such consolidated financial statements are those generally accepted and applied in the Republic of China.
The auditors’ report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors’ report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Financial Report Originally Issued in Chinese)
EASTERN MEDIA INTERNATIONAL CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	December 31, 2017		December 31, 2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
Current Assets:				
Cash and cash equivalents (Note 6(1))	$ 4,759,719	31	$ 3,480,921	38
Financial assets at fair value through profit or loss－current (Note 6(2))	335,983	2	214,836	2
Current derivative financial assets for hedging (Notes 6(2))	114	-	-	-
Notes receivable, net (Notes 6(3) and 7(2))	38,852	-	12,020	-
Other notes receivable, net ((Notes 6(3) and 7(2))	-	-	114,286	1
Accounts receivable, net (Note 6(3))	358,981	2	365,574	4
Accounts receivable, net－related parties (Notes 6(3) and 7(2))	6,488	-	34,142	-
Other receivables, net (Note 6(2) and (3))	542,762	4	223,869	2
Other receivables, net－related parties (Note 6(2) and 7(2))	280	-	461,128	5
Inventories (Note 6(4))	227,783	2	196,270	2
Prepayments (Note 7(2))	242,134	2	182,468	2
Other financial assets－current (Note6(1) and Note 8)	535,066	3	222,576	2
Other current assets	4,501	-	4,032	-
Non-current assets as held for sale, net (Note6(5) and Note 8)	1,290,019	9	-	-
	8,342,682	55	5,512,122	58
Non-current Assets:				
Financial assets carried at cost－non-current (Note 6(2))	59,516	-	59,243	1
Investments accounted for using equity method (Notes 6(6) and 8)	6,312	-	604,689	6
Property, plant and equipment (Notes 6(10) and 8)	2,443,910	16	1,958,162	23
Intangible assets(Note 6(7) and (12))	3,632,439	24	94,241	1
Deferred tax assets (Note 6(19))	170,744	1	206,610	2
Refundable deposit (Notes 7(2), 8 and 9)	371,780	3	337,989	4
Long-term notes receivable and payments, net (Notes 6(3) and 7(2))	-	-	40,658	-
Net defined benefit asset, non-current(Note 6(18))	18,345	-	-	-
Other financial assets－non-current (Note 8)	1,033	-	16,424	-
Long-term prepaid rents (Notes 6(13) and 8)	-	-	479,714	5
Other non-current assets	56,075	1	3,896	-
	6,760,154	45	3,801,626	42
TOTAL ASSETS	**$ 15,102,836**	**100**	**9,313,748**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)
EASTERN MEDIA INTERNATIONAL CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONT'D)
DECEMBER 31, 2017 AND 2016
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
LIABILITIES				
Current Liabilities:				
Short-term loans ((Note6(14) and 8)	$ 396,191	3	$ 295,210	3
Notes payable (Note 7(2))	302,928	2	98,616	1
Accounts payable (Note 7(2))	1,178,187	8	1,018,108	11
Other payables (Note 7(2))	1,642,594	11	1,209,028	13
Current income tax liabilities (Note 6(19))	201,061	1	34,076	-
Provisions－current (Note 6(16))	175,583	1	495,237	5
Unearned receipts (Note 6(5)、7(2) and 9)	772,059	5	84,963	1
Long-term loans payable－current portion (Notes 6(15) and 8)	41,553	-	600,264	6
Other current liabilities (Note6(6))	196,942	1	41,465	-
Liabilities related to non-current assets as held for sale (Note6(5))	90,079	1		-
	4,997,177	33	3,876,967	40
Non-current Liabilities:				
Long-term loans (Notes 6(15) and 8)	1,560,000	10	88,970	1
Provisions－non-current (Note 6(16))	41,622	-	110,137	1
Deferred tax liabilities (Note 6(19))	-	-	4	-
Long-term notes payable and payments (Note 7(2))	70,884	-	930	-
Accrued pension liabilities (Note 6(18))	76,386	1	132,847	1
Guarantee deposit received (Note 7(2))	96,979	1	68,370	1
Other non-current liabilities	4,098	-	-	-
	1,849,969	12	401,258	4
Total Liabilities	6,847,146	45	4,278,225	44
Equity Attributable to Owners of the Company (Note 6(20))				
Share capital	6,959,874	46	6,959,874	76
Capital surplus	5,165	-	9,757	-
Retained earnings	126,338	1	(2,047,964)	(21)
Other equity interest	(39,310)	-	(6,913)	-
Treasury stock	(11)	-	-	-
Total equity attributable to owners of the parent	7,052,056	47	4,914,754	55
Non-controlling interests (Note 6(8))	1,203,634	8	120,769	1
Total Equity	8,255,690	55	5,035,523	56
TOTAL LIABILITIES AND EQUITY	**$ 15,102,836**	**100**	**9,313,748**	**100**

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

(English Translation of Financial Report Originally Issued in Chinese)
EASTERN MEDIA INTERNATIONAL CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Years ended December 31			
	2017		2016	
	Amount	%	Amount	%
Operating revenues (Notes 6(22) and 7(2))	$ 14,210,657	100	$ 10,533,185	100
Opperating costs (Notes 6(13) and 7(2))	10,715,711	75	7,063,102	67
Gross profit	3,494,946	25	3,470,083	33
Operating expenses (Note 6(13))	3,837,216	27	3,586,490	34
Net operating income	(342,270)	(2)	(116,407)	(1)
Non-operating income and expenses (Notes 6(24) and 7)				
Other income	40,460	-	39,873	-
Other gains and losses (Notes 6(2) and (6))	3,114,804	22	306,900	3
Financial costs, net	(116,609)	(1)	(379,688)	(4)
Share of profit of associates accounted for using equity method (Note 6(5))	172,272	1	238,160	2
Profit before tax from continuing operations	2,868,657	20	88,838	-
Less: Income tax expense (Note 6(19))	194,673	1	46,381	-
Profit	**2,673,984**	**19**	**42,457**	**-**
Other comprehensive income (loss):				
Items that may not be reclassified subsequently to profit or loss:				
Actuarial gains on defined benefit plans	(4,306)	-	16,691	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	-	-	(8,409)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	(4,306)	-	8,282	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(74,856)	-	(117,198)	(1)
Unrealised gains (losses) on valuation of available-for-sale financial assets	5	-	-	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	18,510	-	(1,330)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	23,905	-	20,215	-
Total of items that may be reclassified to profit or loss	(32,436)	-	(98,313)	(1)
Other comprehensive income, net of tax	(36,742)	-	(90,031)	(1)
Total comprehensive income	**$ 2,637,242**	**19**	**(47,574)**	**(1)**
Profit attributable to				
Owners of the parent	$ 2,528,545	18	$ 241,758	2
Non-controlling interests	145,439	1	(199,301)	(2)
	$ 2,673,984	**19**	**42,457**	**-**
Comprehensive income attributable to				
Owners of the parent	$ 2,495,325	18	$ 150,015	1
Non-controlling interests	141,917	1	(197,589)	(2)
	$ 2,637,242	**19**	**(47,574)**	**(1)**
Earnings per share, net of tax (Note 6(21))				
Basic earnings per share	**$ 3.63**		**$ 0.35**	
Diluted earnings per share	**$ 3.63**			

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

(English Translations of Financial Statements Originally Issued in Chinese)

EASTERN MEDIA INTERNATIONAL CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent										
						Other Equity Interest					
			Retained Earnings								
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Difference on Translation of Foreign Operations	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Treasury shares	Total equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
Balance, January 1, 2016	$6,959,874	12,293	30,632	2,586,632	(4,837,881)	114,657	(21,545)	-	4,844,662	440,405	5,285,067
Profit for the year ended December 31, 2016	-	-	-	-	241,758	-	-	-	241,758	(199,301)	42,457
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	8,282	(102,366)	2,341	-	(91,743)	1,712	(90,031)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	250,040	(102,366)	2,341	-	150,015	(197,589)	(47,574)
Special reserve reversal	-	-	-	(2,586,632)	2,586,632	-	-	-	-	-	-
Changes in equity of associates accounted for using equity method	-	392	-	-	-	-	-	-	392	-	392
Changes in equity interest in subsidiaries	-	(2,928)	-	-	(77,387)	-	-	-	(80,315)	80,315	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(193,718)	(193,718)
Cash dividends contributed by subsidiaries	-	-	-	-	-	-	-	-	-	(8,644)	(8,644)
Balance, December 31, 2016	6,959,874	9,757	30,632	-	(2,078,596)	12,291	(19,204)	-	4,914,754	120,769	5,035,523
Profit for the year ended December 31, 2017	-	-	-	-	2,528,545	-	-	-	2,528,545	145,439	2,673,984
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(823)	(51,601)	19,204	-	(33,220)	(3,522)	(36,742)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	2,527,722	(51,601)	19,204	-	2,495,325	141,917	2,637,242
Treasury stock acuried	-	-	-	-	-	-	-	(11)	(11)	(33)	(44)
Changes in equity of associates accounted for using equity method	-	294	-	-	-	-	-	-	294	-	294
Disposal of investments accounted for using equity method	-	(4,886)	-	-	-	-	-	-	(4,886)	-	(4,886)
Reorganization	-	-	-	-	(45,021)	-	-	-	(45,021)	674,757	629,736
Changes in equity interest in subsidiaries	-	-	-	-	(308,399)	-	-	-	(308,399)	308,399	-
Increase in noncontrolling interests	-	-	-	-	-	-	-	-	-	20,931	20,931
Cash dividends contributed by subsidiaries	-	-	-	-	-	-	-	-	-	(63,106)	(63,106)
Balance, December 31, 2017	**$ 6,959,874**	**5,165**	**30,632**	**-**	**95,706**	**(39,310)**	**-**	**(11)**	**7,052,056**	**1,203,634**	**8,255,690**

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

(English Translation of Financial Report Originally Issued in Chinese)
EASTERN MEDIA INTERNATIONAL CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2017	2016
Cash flows from operating activities:		
Profit before tax	$ 2,868,657	$ 88,838
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	296,275	250,576
Amortization	118,145	56,260
Bad debt expense	5,787	3,006
Net (profit) on financial assets or liabilities at fair value through profit or loss	(49,608)	(145,807)
Interest expense	116,609	379,688
Interest income	(32,032)	(31,879)
Dividend income	(617)	(678)
Share of profit of associates accounted for using equity method	(172,272)	(238,160)
Loss on disposal of property, plant and equipment	(4,499)	9,314
Gain on disposal of investments	(3,080,887)	(322,456)
Gain on disposal of intangible assets	7,047	1,245
Impairment loss on non-financial assets	14,872	51,294
Gain on adjustment of investment property at fair value	-	(5,490)
Provision (reversal of provision) for onerous contract	(388,169)	(624,851)
	(3,169,349)	(617,938)
Changes in operating assets and liabilities		
Changes in operating assets, net		
Increase in financial asset or liability held for trading	-	(222,339)
(Increase) in notes receivable	(28,003)	(11,350)
(Decrease) increase in accounts receivable	(63,905)	74,046
(Decrease) increase in accounts receivable—related parties	27,639	(3,694)
(Increase) in other notes and accounts receivable	(7,112)	(201,402)
Increase (decrease) in inventories	(10,452)	13,331
Increase (decrease) in prepayments	(68,853)	10,443
Increase (decrease) in other assets	(72)	123,032
Increase (decrease) in other operating assets	(9,679)	7,266,884
Total changes in operating assets, net	(160,437)	7,048,951
Changes in operating liabilities, net		
(Decrease) increase in notes payable	(707,054)	89,781
(Decrease) in accounts payable	(1,367,091)	(213,582)
Increase in other payables	463,255	170,025
Increase (decrease) in unearned receipts	17,141	(54,190)
(Decrease) increase in other current liabilities	(52,659)	1,284
(Decrease) in other operating liabilities	(38,208)	(60,788)
Total changes in operating liabilities, net	(1,684,616)	(67,470)
Net changes in operating assets and liabilities	(1,845,053)	6,981,481
Total adjustments	(5,014,402)	6,363,543
Cash (used in) from provided by operating activities	(2,145,745)	6,452,381
Income taxes paid	(49,235)	(9,517)
Net cash (used in) from provided by operating activities	(2,194,980)	6,442,864

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

(English Translation of Financial Report Originally Issued in Chinese)
EASTERN MEDIA INTERNATIONAL CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2017	2016
Cash flows from investing activities		
Acquisition of financial assets designated at fair value through profit or loss	(363,586)	-
Acquisition of financial assets at cost	(1,010)	-
Proceeds from distribution of dividends accounted for using equity method	217,805	198,499
Cash paid for disposal of subsidiaries	-	(3,653)
Proceeds from disposal of subsidiaries	74,326	-
Acquisition of investment accounted for using the equity method	-	(4,500)
Net cash flow from acquisition of subsidiaries	(32,521)	-
Cash received from disposal of subsidiaries accounted for using equity method	3,765,660	48,003
Acquisition of property, plant and equipment	(153,407)	(107,252)
Proceeds from disposal of property, plant and equipment	13,371	759,119
Increase in receipts in advance due to disposal of assets	600,208	-
Decrease in refundable deposits	54,708	93,711
Increase in other receivables, net—related parties	-	(450,000)
Acquisition of intangible assets	(10,625)	(33,474)
Disposal of intangible assets	2,892	5,882
Net cash inflows from business combination	626,100	-
Acquisition of investment property	-	(10,594)
(Increase) decrease in other finacial assets	(187,465)	1,088
Decrease in other non-current assets	15,389	114,286
Increase in prepayments for business facilities	(31,027)	-
Interest received	33,778	30,722
Dividends received	617	678
Net cash provided by investing activities	4,625,213	642,515
Cash flows from financing activities		
Increase in short-term loans	686,685	1,385,762
Decrease in short-term loans	(575,984)	(2,861,913)
Increase in long-term loans	3,050,000	1,398,860
Decrease in long-term loans	(3,781,049)	(6,663,498)
(Decrease) in guarantee deposits received	(17,243)	(19,387)
(Decrease) in other payables to related parties	(264,952)	-
Increase in other non-current liabilities	-	5,814
Cash dividends	-	(8,644)
Interest paid	(92,522)	(317,580)
Change in non-controlling interests	20,931	(193,718)
Issuance of cash dividends by subsidiaries	(63,106)	-
Net cash provided by financing activities	(1,037,240)	(7,274,304)
Effect of exchange rate fluctuations on cash and cash equivalents held	(37,556)	23,865
Net (decrease) increase in cash and cash equivalents	1,355,437	(165,060)
Cash and cash equivalents, beginning of year	3,480,921	3,645,981
Cash and cash equivalents, end of year	**$ 4,836,358**	**3,480,921**
Cash and cash equivalents reported in the statement of financial position	$ 4,759,719	3,480,921
Assets classified as held for sale, net	76,639	-
Cash and cash equivalents at end of period	**$ 4,836,358**	**3,480,921**

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

(English Translation of Financial Report Originally Issued in Chinese)

EASTERN MEDIA INTERNATIONAL CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(All Amounts Expressed in Thousands of New Taiwan Dollars)

1. COMPANY HISTORY

Eastern Media International Corporation (the Company) was established on May 14, 1975. In order to enhance the operating performance and expand the business scope, the Company merged with Grain Union Transport Ltd. on May 15, 1989. The Company's shares listed on the Taiwan Stock Exchange, classified in the shipping category, on September 25, 1995. In recent years, as the proportion of revenue from shipping has declined and the proportion of revenue from trade has increased to more than 50% of overall revenue, the Company's shares have changed classification to the retail sales category, as approved by the Taiwan Stock Exchange on July 1, 2014.

The main businesses of the Company and its subsidiaries (the "Group") are as follows:

A. Loading and unloading of grains and coal into and out of silos.
B. Silo storage of imported grains, such as corn, sorghum, and feed ingredients.
C. Importing cement, coal, mineral sand, and sand.
D. Shipping operations: including dry cargo shipping, but not limited to shipping agency, ship management and chartering.
E. Trading, leasing and construction of shipping vessels and related parts.
F. Engaging in construction of residential and office buildings for sale or rent.
G. Selling products related to computers, communication, or other consumer electronics.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 22, 2018.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

1. The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

(All Amounts Expressed in Thousands of New Taiwan Dollars)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "*Investment Entities: Applying the Consolidation Exception*"	January 1, 2016
Amendments to IFRS 11 "*Accounting for Acquisitions of Interests in Joint Operations*"	January 1, 2016
IFRS 14 "*Regulatory Deferral Accounts*"	January 1, 2016
Amendment to IAS 1 "*Presentation of Financial Statements- 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
Amendments to IAS 19 "*Defined Benefit Plans: Employee Contributions*"	July 1, 2014
Amendment to IAS 27 "*Equity Method in Separate Financial Statements*"	January 1, 2016
Amendments to IAS 36 "*Impairment of Non-Financial assets-Recoverable Amount Disclosures for Non-Financial Assets*"	January 1, 2014
Amendments to IAS 39 "*Financial Instruments- Novation of Derivatives and Continuation of Hedge Accounting*"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

Except for the following items, the Group believes that the adoption of the above IFRSs would not have a material impact on the consolidated financial statements:

(a) Amendments to IAS 36 "Recoverable Amount Disclosures for Non Financial Assets"

Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value, less costs of disposal:

1. the level of fair value hierarchy within which the fair value measurement is categorized; and
2. the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

The Group will include the required disclosures.

(b) The annual improvement cycles 2010-2012 and 2011-2013, amendments to IFRS 3 "Business Combinations"

This amendment clarifies the classification and measurement of contingent consideration in a business combination. The Group has changed its accounting policy in accordance with this standard

(2.) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "*Classification and Measurement of Share-based Payment Transactions*"	January 1, 2018
Amendments to IFRS 4 "*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*"	January 1, 2018
IFRS 9 "*Financial Instruments*"	January 1, 2018
IFRS 15 "*Revenue from Contracts with Customers*"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "*Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses*"	January 1, 2017
Amendments to IAS 40 "*Transfers of Investment Property*"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(a) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

i. Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had financial assets measured at cost of $59,516 that are held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease of $3,722 and increase $3,722 in retained earnings and non-controlling interests, respectively.

ii. Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that the adoption of the above IFRS 9 impairment would not have a material impact on the consolidated financial statements.

iii. Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group has chosen to apply the new requirements of IAS 39.

The Group uses forward foreign exchange contracts to hedge the variability in fair value arising from the changes in foreign exchange rates relating to confirmed commitment on purchasing its plant and equipment. Under IAS 39, the change in fair value of the forward element of the forward exchange contracts is recognized immediately in profit or loss.

The Group believes that the adoption of the above IFRS 9 Hedge accounting would not have a material impact on the consolidated financial statements.

iv. Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

v. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The new hedge accounting requirements should generally be applied prospectively. However, the Group has decided to apply the accounting for the forward element of forward contracts retrospectively.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

    The designation of certain investments in equity instruments not held for trading as at FVOCI.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

i. Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the *customers' premises*, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

ii. Rending of services

The Group is involved in ship transportation, loading and unloading and warehousing services. Revenue is currently recognized using the stage-of-completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

Based on the Group's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the Group does not expect any significant differences in the timing of revenue recognition for these services.

iii. Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Group plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. 1 January 2018) will not be restated. The Group believes that the adoption of the above IFRS 15 would not have any material impact on its consolidated financial statements.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 10 and IAS 28 "*Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*"	Effective date to be determined by IASB
IFRS 16 "*Leases*"	January 1, 2019
IFRS 17 "*Insurance Contracts*"	January 1, 2021
IFRIC 23 "*Uncertainty over Income Tax Treatments*"	January 1, 2019
Amendments to IFRS 9 "*Prepayment features with negative compensation*"	January 1, 2019
Amendments to IAS 28 "*Long-term interests in associates and joint ventures*"	January 1, 2019

Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "*Plan Amendment, Curtailment or Settlement*"	January 1, 2019

Those which may be relevant to The Group are set out below:

Issuance / Release Dates	**Standards or Interpretations**	**Content of amendment**
January 13, 2016	IFRS 16 "*Leases*"	The new standard of accounting for lease is amended as follows: ・ For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. ・ A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its financial position and financial performance of the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNING POLICIES

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the *Regulations Governing the Preparation of Financial Reports by Securities Issuers* (hereinafter referred to as "*the Regulations*") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC.

(2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

(a) Financial assets measured at fair value through profit or loss;

(b) Hedging derivative financial instruments are measured at fair value.

(c) The net defined benefit liability, which is recognized as the fair value of pension plan assets less the present value of the defined benefit obligation and the remeasurement of the effect of the asset ceiling as stated in Note 4(18).

B. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements include the accounts of the Company and all directly owned subsidiaries of the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its control of the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group's control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid and received is recognized directly in equity and attributed to shareholders of the parent.

When the Group loses control over its subsidiary, it derecognizes the assets (including goodwill), liabilities and non-controlling interests of the former subsidiary, and the investment retained is re-measured at the fair value on the date of loss of control. Profit or loss of disposal is the difference between the total amount of the consideration given as well as the fair value of any retained investment of the former subsidiary re-measured on the date of loss of control; and the total carrying value of the assets (including goodwill), liabilities and non-controlling interests of its former subsidiary on the date of loss of control. For all amounts previously recognized in other comprehensive gains and losses relating to its subsidiary, the basis of accounting treatment is the same as that of applicable when the Group directly disposes its relevant assets or liabilities.

B. List of subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2017.12.31	2016.12.31	
The Company	Far Eastern Silo & Shipping (Panama) S.A. (FESS-Panama)	Shipping and leasing service, holding company	100.00%	100.00%	Note A
The Company	Far Eastern Silo & Shipping International (Bermuda) Ltd. (FESS-Bermuda)	Investing activities	100.00%	100.00%	Note A
The Company	Eastern Investment Co., Ltd. (EIC)	Investing activities	97.90%	97.90%	Note A
The Company	Grand Richness Trading (Hong Kong) Co. (Grand Richness (Hong Kong))	Investing activities	100.00%	100.00%	Note A
The Company	Eastern International Lease Finance Co., Ltd. (EILF)	Leasing	53.77%	53.77%	Note A
The Company	Tung Kai Lease Finance Co., Ltd. (TKLF)	Leasing	53.76%	53.76%	Note A
The Company	Eastern Entertainment Co., Ltd. (Eastern Entertainment)	Leisure site management, catering business	- %	100.00%	Note A(Note3)

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2017.12.31	2016.12.31	
The Company	U Life Co., Ltd. (U Life)	Department stores, supermarkets, online stores	- %	14.59%	Note 7
The Company	Eastern Home Shopping & Leisure Co., Ltd.(EHS)	Department stores, supermarkets, online stores	6.51%	- %	Note7
The Company	ETtoday Co., Ltd. (ETtoday)	Advertising	93.90%	95.85%	Note A(Note13)
The Company	EHR Hotels & Resorts Group Yilan (EHR)	Leisure site management, catering business	60.40%	60.41%	Note A(Note9)
The Company	Mohist Web Technology Co., Ltd. (MWT)	Application Service	51.00%	- %	Note A(Note14)
The Company	Eastern Integrated Marketing Co,. Ltd. (EIM)	Agency service	100.00%	- %	Note A(Note6)
EIC	Eastern Integrated Marketing Co., Ltd. (EIM)	Agency service	- %	19.00%	Note 6
EIC	Eastern International Lease Finance Co., Ltd. (EILF)	Leasing	10.00%	10.00%	Note B
EIC	Tung Kai Lease Finance Co., Ltd. (TKLF)	Leasing	10.00%	10.00%	Note B
EIC	EHR Hotels & Resorts Group Yilan (EHR)	Leisure site management, catering business	13.20%	- %	Note B(Note9)
EIC	ETtoday Co., Ltd. (ETtoday)	Advertising	1.10%	1.65%	Note B
EIC	Eastern Home Shopping & Leisure Co., Ltd.(EHS)	Department stores, supermarkets, online stores	19.36%	- %	Note D(Note7)
EIC	U Life Co., Ltd. (U Life)	Department stores, supermarkets, online stores	- %	43.37%	Note 7
ETtoday	Cue Social Co., Ltd. (Cue Social)	Advertising	- %	- %	Note C Note 4
EILF	Tung Kai Lease Finance Co., Ltd. (TKLF)	Leasing	36.00%	36.00%	Note B
EILF	EHR Hotels & Resorts Group Yilan (EHR)	Leisure site management, catering business	13.20%	- %	Note B Note 9
TKLF	Eastern International Lease Finance Co., Ltd. (EILF)	Leasing	36.00%	36.00%	Note B
TKLF	Cue Social Co., Ltd. (Cue Social)	Advertising	- %	- %	Note C Note4
TKLF	Eastern Integrated Marketing Co,. Ltd. (EIM)	Agency service	- %	11.00%	Note 6
TKLF	EHR Hotels & Resorts Group Yilan (EHR)	Leisure site management, catering business	13.20%	- %	Note B Note 9
U Life	Cue Social Co., Ltd. (Cue Social)	Advertising	- %	- %	Note C Note 4

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Investor	Subsidiary	Nature of business	Shareholding ratio 2017.12.31	Shareholding ratio 2016.12.31	Notes
U Life	Yongliang Commercial and Trading Co., Ltd (Yongliang)	Department stores, supermarkets, online stores	- %	50.00%	Note C Note 5 and 7
FESS-Panama	Grand Eastern Home Shopping Corporation (GEHS-Cayman)	Investing activities	100.00%	100.00%	Note C
FESS-Panama	Grand Scene Media Corporation (GSMC-Cayman)	Investing activities	100.00%	100.00%	Note C
FESS-Panama	Eastern Enterprise Development (Shanghai) Ltd. (EED (Shanghai))	Transporting and packing service	100.00%	100.00%	Note C Note10
FESS-Panama	Eastern Communication (Hong Kong) Ltd. (Eastern Communication Hong Kong)	Investing activities	100.00%	100.00%	Note C
FESS-Bermuda	Xiang Fu Trading (Shanghai) Ltd. (Xiang Fu (Shanghai))	Cosmetics, jewelry, and household sundries wholesaling and support services	8.77%	8.77%	Note C
Grand Richness (Hong Kong)	Ding Kai Trading (Shanghai) Ltd. (Ding Kai (Shanghai))	Food and grocery, home appliance wholesale and retail trade	84.97%	84.97%	Note C
Grand Richness (Hong Kong)	Sheng Hang Trading (Shanghai) Ltd. (Sheng Hang (Shanghai))	Food and grocery, home appliance wholesale and retail trade	100.00%	100.00%	Note C
EED (Shanghai)	Eastern Enterprise Custom Broker Ltd. (Eastern En)	Transport consulting service	100.00%	100.00%	Note C Note11
EED (Shanghai)	Eastern Food (Shanghai) Ltd. (Eastern Food (Shanghai))	Selling agricultural products, packaged food	100.00%	100.00%	Note C Note11
EED (Shanghai)	Eastern Enterprise Shanghai Logistics Ltd.	Container transport, domestic road freight agent	100.00%	100.00%	Note C Note 11
EED (Shanghai)	Kunshan Din Fu Management Ltd. (Kunshang Din Fu)	Investing activities, management consultancy, investment consultancy	- %	- %	Note C Note 2
EHS	Yongliang Commercial and Trading Co., Ltd (Yongliang)	Department stores, supermarkets, online stores	100.00%	- %	Note 7
EHS	D'Amour SPA	Software design services, advertising Cosmetics, spat	70.00%	- %	Note 7
EHS	Assuran Co., Ltd (Assuran)	Cleaning supplies	60.00%	- %	Note 7
EHS	Insbro Holding Limited (Insbro)	Investing activities	- %	- %	Note7 Note 12
Eastern Communication (Hong Kong)	Xiang Fu Trading (Shanghai) Ltd. (Xiang Fu (Shanghai))	Cosmetics, jewelry, and household sundries	91.23%	91.23%	Note C

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			2017.12.31	2016.12.31	
		wholesaling and support services			
Xiang Fu (Shanghai)	Shanghai Rich Industry Ltd. (Shanghai Rich)	Producing and broadcasting TV programs, wholesale and retail groceries business	100.00%	100.00%	Note 1
GSMC-Cayman	Sen Want Trading (Hong Kong) Ltd. (Sen Want (Hong Kong))	Investing activities, trading	100.00%	100.00%	Note C
Sen Want (Hong Kong)	Nanjing Yun Fu Trading Ltd. (Nanjing Yun Fu)	Paper products, clothing, shoes & hats, entertainment products, toys import and export Support services and management consultancy	100.00%	100.00%	Note C
Nanjing Yun Fu	Nanjing Ji Cheng Trading Ltd. (Nanjing Ji Cheng)	Paper products, clothing, shoes & hats, entertainment products, toys import and export	- %	100.00%	Note C Note 8

Note A: The investee company is directly held over 50% by the Company.

Note B: The investee company is directly held over 50% by the Group.

Note C: The investee company is directly held over 50% by the Company's subsidiaries.

Note D: The investee company is directly held less than 50%, but is under the control of the Group.

C. Subsidiaries excluded from consolidation: None.

Note 1: The Group operated multimedia shopping channels and a preschool education business in China. The Group's subsidiary in China signed several framework agreements (VIE framework agreements) with individual investors for controlling finances, operations and personnel, carrying on all business activities, and assuming all economic benefits and business risk. Based on the lawyer's opinion, all VIE framework contracts are deemed legal and valid. The framework agreements are also signed by all parties involved, and the contents do not violate the current law of the People's Republic of China. However, the Group does not rule out the possibility that the Chinese government may amend the constitution in the future, which may cause a violation regarding the said contracts. If one of the signatory parties breaches the contract, a lawsuit may be filed against that party, which may result in a change in the court's ruling concerning the current condition of VIE framework agreements. Xiang Fu (Shanghai) signed framework agreements with individual investors of Kunshan Din Fu and Shanghai Rich and acquired all their shares on May 14, 2014 after the approval from the board of directors. The registration of share transfer was completed in September in the same year, and Xiang Fu's shareholding ratio became 100%. In addition, Xiang Fu acquired all the shares of Shanghai Rich for CNY 1,220 thousand on March 16, 2015 after the approval from the board of directors.

Note 2: EED acquire all the shares of Kunshang Din Fu (KDF), with a price of CNY 10 thousand, on June 25, 2015, after the approval from the board of directors. The registration of share transfer was completed in October 2015. In addition, EED and KDF merged in 2016, with EED as the surviving company, and KDF as the dissolved entity.

Note 3: Eastern Entertainment was completely liquidated on July 20, 2017, and the registration of share transfer was completed in the same month.

Note 4: On October 11, 2016, the board of directors of Cue Social (CS) decided to liquidate CS, with approval letter no. 1054277910 from the Taipei City Government in the same year. The related registration procedure had been completed in 2017.

Note 5: Yongliang is a subsidiary established in September 2016.

Note 6: In order to improve the financial structure, the board of directors of EIM decided to reduce its capital to make up for its losses on May 9, 2017. The Company purchased the odd-lot from its original shareholders, at a price of $1 per share, resulting in an increase in its capital by 300,000 thousand. The registration of share transfer was completed on June 20, 2017.

Note 7: The merger of Sen Sen Home Shopping Co., Ltd. (U life) and Eastern Home Shopping & Leisure (EHS) had been approved by the shareholders, with EHS as the surviving company and U life as the dissolved entity. The merger date was set on April 1, 2017. According to the contractual agreement, the Group has control over EHS and subsidiaries, making them its subsidiary and sub-subsidiary, respectively. Therefore, the new directors and supervisors of EHS had been elected on April 27, 2017, with the approval of the shareholders, resulting in the Group to obtain more than half of the board seats, including that of the chairman.

Note 8: The board of directors decided to liquidate Nanjing Ji Cheng. The liquidation had been approved by the national tax authority of the Chinese government on January, 4, 2017, with approval letter no. 201780.

Note 9: In order to improve its financial structure, HER decided to reduce its capital to $1 to make up for the losses on June 28, 2017. The capital increase executed by the Company, EIC, EILF, and TKLF amounted to $900,000 thousand. The registration of share transfer was completed on September 1, 2017.

Note 10: The Group disposed all of its shares in EED on September 29, 2017 after obtaining the approval from the board of directors. The disposal was classified as non-current assets held for sale on December 31, 2017.

Note 11: The shareholders of the Group adjusted its investment structure in mainland China, therefore, decided to dispose Eastern Food (Shanghai), Eastern En and Eastern Enterprise Shanghai Logistics Ltd. to Sen Want (HK) for CNY2,500 thousand, CNY1,500 thousand and CNY1,500 thousand, respectively, on August 2, 2017. The relevant disposed procedures had been completed on November 28, December 7, and December 12, 2017, respectively, as of the report date. However, the registration of the share transfer has yet to be completed.

Note 12: EHS disposed all of its shares in Insbro on October 31, 2017 after obtaining the approval from its board of directors. The registration of share transfer was completed in November 31, 2017.

Note 13: The board of directors approved the capital increase of ETtoday amounting to $100,000 thousand, wherein the amounts of $90,000 thousand, $2,360 thousand, and $7,640 thousand were acquired by EMI, ETtoday's employees, and Yuan Fu International Co., Ltd., respectively, on April 6, 2017.

Note 14:The board of directors approved the acquisition of Mohist Web Technology by EMI on January 23, 2017. The registration of share transfer was completed in February 2017.

(4) Foreign currency

A. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss except for available-for-sale equity investments, which are recognized in other comprehensive income.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising thereon form part of the net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria and all other assets are classified as non-current.

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

A. It is expected to be settled in the normal operating cycle;
B. It is held primarily for the purpose of trading;
C. It is due to be settled within twelve months after the reporting period; or
D. It does not have an unconditional right to defer settlement of at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Time deposits with a maturity period of over three months are normally accounted under other financial assets. However, time deposits are accounted for under cash and cash equivalents if they are held for the purpose of meeting a short-term cash commitment rather than for investment or other purposes, are readily convertible to a known amount of cash, and have an insignificant risk of change in value.

(7) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

A. Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and loans and receivables.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in other interest and loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

(ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. At initial recognition, these assets are recognized at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in other income.

The Group operates the accounts receivable and purchase business, except that the following conditions are met as the purchaser, as accounts receivable financing.

(1) When a transferor transfers all or part of a financial asset and gives up control of the financial asset, within the scope of the exchange to receive the consideration (except for the beneficial rights of the transferred assets), the consideration received in the foregoing refers to those who do not have any restricted terms.

(2) Regarding the transfer of accounts receivable claims, The control of the transferor's waiver of the corresponding receivables (transfer assets) shall meet all of the following conditions:

A. The accounts receivable claims have been separated from the transferor, it is presumed that the control has been removed from the transferor and its creditors, even if the transferor is bankrupt or received.

B. Each assignee has the right to pledge or exchange receivables claims (when the assignee is a special purpose individual, the holder of the beneficial rights has the right to pledge or exchange the beneficial rights), and there are no restrictions on the conditions under which the assignee (or holder) exercises the right to pledge or exchange, causing the transferor to obtain non-subtle benefits.

C. The transfer person has not used one of the following ways, maintain effective control of its corresponding receivables claims:

a. Agreement with the right and obligation to buy back or redeem the receivables claim before the maturity date.

b. Unilateral ability to return holders to specific receivables claims.

(iii)Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in other interest and loss.

(iv) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on available-for-sale financial assets" in profit or loss is included in other interest and loss.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

B. Financial liabilities and equity instruments

(a) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, under finance cost.

(b) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and included in "non-operating income and expenses."

(c) Offsetting of financial assets and liabilities

The Group presents its financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

C. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in other gains and losses. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such an unquoted equity instrument, such derivatives that are classified as financial assets are measured at amortized cost, and are included in financial assets measured at cost; and derivatives that are classified as financial liabilities are measured at cost, and are included in financial liabilities measured at cost.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and of the embedded derivatives are not closely related.

The Group designates its hedging instruments, including derivatives, embedded derivatives, and non derivative instruments for a hedge of a foreign currency risk, as a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. Foreign exchange risks of firm commitments are treated as fair value hedges

On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, and whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk.

Fair value hedge is changes in the fair value of a hedging instrument designated and qualified as a fair value hedge are recognized in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated, or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories and capitalized borrowing costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Net realizable value is clarified as follows:

(9) Investment subsidiary

Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group reassesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognizes a gain for the excess.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non-controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

(10) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal group are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group will first be allocated to goodwill, and then the remaining assets and liabilities will be apportioned on a pro rata basis, except that no loss is allocated assets not in the scope of IAS 36 – Impairments, such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale is intangible assets or property, plant and equipment, they are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(11) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of investment includes transaction costs. The carrying amount of investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The Group's share of the profit or loss and other comprehensive income of investments accounted for using equity method are included, after adjustments to align the said investees' accounting policies with those of the Group, in the consolidated financial statements from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio under additional paid-in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Group shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Group shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under additional paid-in capital. If the additional paid-in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(12) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of that part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined based on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss, under other gains and losses.

B. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

C. Depreciation

Depreciation is calculated on the depreciable amount of an asset using the straight-line method over its useful life. The depreciable amount of an asset is the cost less its residual value. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	2-50 years
Machinery and equipment	2-25 years
Transportation equipment	3-20 years
Leasehold improvements	over the lease term; if pertaining to overhaul and additions, the estimated useful life or lease term, whichever is shorter
Miscellaneous equipment	2-20 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expectation of useful life differs from the previous estimate, the change is accounted for as a change in accounting estimate.

(13) Leased assets

A. Lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

B. Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are accounted for as operating leases, and the lease assets are not recognized in the Group's consolidated balance sheets.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(14) Intangible assets

A. Goodwill

(a) Recognition

Goodwill arising from the acquisition of subsidiaries is recognized as intangible assets.

(b) Measurement

Goodwill is measured at its cost less impairment losses. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates includes goodwill. The impairment losses on such investments are recognized as part of the carrying account of the investment and are not allocated to goodwill or any other assets.

B. Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

C. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

D. Amortization

The depreciable amount of an intangible asset is calculated as the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date when they are made available for use. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

Trademark rights	10 years
Computer software	3-5 years

The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life are reviewed at least annually at each financial year-end. Any change therein is accounted for as a change in accounting estimate.

(15) Impairment – non-derivative financial assets

The Group assesses non-derivative financial assets for impairment (except for inventories, construction contracts, deferred income tax assets, biological assets, non-current assets held for sale, and employee benefits) at every reporting date, and estimates the recoverable amount.

If it is not possible to determine the recoverable amount (fair value less cost to sell and its value in use) for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such reduction is deemed an impairment loss, which is recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In that case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

(16) Long-term prepaid rent

The long-term prepaid rent is the payment the Group made for the acquisition of the rights to use land. Amortization is recognized on a straight-line basis over the shorter of the estimated useful life or the agreed period.

(17) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

The Group signed an irrevocable ship leasing contract in accordance with the provisions of Accounting Research and Development Foundation Interpretation (102) No. 051. As a consequence, if the benefit becomes less than the unavoidable costs, the difference shall be accrued as loss contingency. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. According to the regulations on impairment of assets, if the irrevocable ship leasing contract is under a finance lease, the Company first assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased, and if that is the case, the Company shall recognize the contingent liabilities of onerous contracts. When the expected revenue from an irrevocable contract is less than the unavoidable cost, the difference is recognized in profit or loss based on the quoted market price in an active market. The Company cannot claim the difference if the profit or loss cannot be estimated due to the wide fluctuation in future leasing rates. In addition, the Company should recognize the entire contingent loss in five years even if the future cash flow cannot be estimated due to the longer leasing period.

However, if the lease cannot be based on observable market data, the Company shall recognize the difference as loss in the current year (e.g., within two years) using the most recent leasing rates in the market.

(18) Treasury stock

Company share that are owned by the Company's subsidiaries are treated as treasury stock .Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax.

(19) Revenue

A. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Revenue from sales of goods is recognized as the conditions mentioned below are all satisfied; the amount of sales returns and allowance is reasonably estimated based on previous experience and other relevant factors.

(a) The Group has transferred the significant risks and rewards of ownership to the counterparty;

(b) The Group has not been involved in any control activities and has not maintained effective control over the goods sold;

(c) The amount can be reliably measured;

(d) Economic benefits relevant to the transactions will probably flow to the Group;

(e) Costs related to the transactions, whether incurred or expected, can be reliably measured.

Generally, revenue is recognized as goods are delivered and ownership is transferred.

B. Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Shipping revenue is recognized and computed by the shipping distance of each vessel or the daily rental fees of the vessels chartered to others. Other operating revenue from silos is recognized on an accrual basis on a monthly basis.

C. Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

D. Rental revenue

Rental income received from investment property shall be recognized on a straight-line basis over the lease term. Lease incentives given shall be regarded as part of the rental income and recognized as a reduction of rental income on a straight-line basis over the lease term.

E. Loading and storage revenue

Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the balance sheet date.

F. Installment sales interest income

The Group engages in installment sales, wherein the amount exceeds the cash sales price, resulting in the difference to be recognized as unrealized interest income deducted to installment notes and accounts receivable, which interest is accounted for annually using the interest method over the installment period. The installment sales are transferred to the owner after the price has been fully paid.

G. Leasing business

The Group mainly operates on leases, which are classified into capital and operating leases based on the lease terms, wherein the collection of receivables and the future costs are attributed to the lessor.

H. Receivables transfer

The Group also operates the business of accounts receivable financing. Transfers of receivables should be considered as collateral for loans except for those conforming to all the following conditions as purchase of receivables.

(1) A transfer of financial assets or a portion of a financial asset in which the transferor surrenders control over those financial assets is regarded as a sale to the extent that

consideration other than beneficial interests in the transferred assets is received in exchange.

(2) The rights to accounts receivable are derecognized after deducting the estimated charges or losses in a commercial dispute when all of the following conditions are met.

A. The rights to accounts receivable have been isolated from the transferor as they are put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.

B. Each transferee has the right to pledge or exchange the rights to the accounts receivable, and no condition prevents the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.

C. The transferor does not maintain effective control over the rights to the accounts receivable claims through either:

a. An agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity, or

b. The ability to unilaterally cause the holder to return specific rights to the accounts receivable.

(20) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the

Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability or asset, comprising (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) changes in the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income (losses). The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(21) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

A. Assets and liabilities that are initially recognized from non-business combination transactions with no effect on net income or taxable gains (losses).

B. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

C. Initial recognition of goodwill.

Deferred taxes are measured based on the statutory tax rate on the reporting date or the actual legislative tax rate during the year of expected asset realization or debt liquidation.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. the entity has the legal right to settle tax assets and liabilities on a net basis; and

B. the taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

(a) levied by the same taxing authority; or

(b) levied by different taxing authorities, but where each such authority intend to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for unused tax losses available for carrying forward, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(22) Business combination

Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group reassesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognizes a gain for the excess.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non controlling interests in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's identifiable net assets, if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

(23) Earnings per share

Disclosures are made of basic and diluted earnings (loss) per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(24) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND JUDGMENTS, AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated annual financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information on assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is included in the following notes:

A. Impairment of property, plant and equipment, 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 income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Refer to note 6(10) for further description of the key assumptions used to determine the recoverable amount.

B. Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(12) for further description of the impairment of goodwill.

C. Provisions

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The rental income for various types of ships in the international shipping market fluctuates significantly in the recent years, which may have a material impact on the basis of accounting assumptions and estimate, and may have a material impact on the recognition of the provision for onerous contracts. Please refer to Note 6(16) and (25) for the accounting assumptions and the estimate.

D. Measurement of defined benefit obligations

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Refer to note 6(18) for further description of the actuarial assumptions and sensitivity analysis.

E. Revenue recognition

The Group records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience, market and economic conditions, and any other known factors that would significantly affect the allowance. The adequacy of estimations is reviewed periodically. The fierce market competition and evolution of technology could result in significant adjustments to the provision made.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to the following notes for assumptions used in measuring fair value:

(1) Note 6(10), Investment property

(2) Note 6(25), Financial assets

(All Amounts Expressed in Thousands of New Taiwan Dollars)

6. EXPLANATIONS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

		2017.12.31	2016.12.31
Cash on hand	$	4,240	3,203
Cash in banks		3,446,152	2,867,958
Cash and cash equivalents		1,309,327	609,760
Cash and cash equivalents in the consolidated statement of cash flows	**$**	**4,759,719**	**3,480,921**

The deposit accounts of $520,450 and $143,143, which did not meet the definition of cash and cash equivalents, were classified as other financial assets – current for the years ended December 31, 2017 and 2016, respectively.

Please refer to Note 6(25) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities.

(2) Investment in financial assets and liabilities

		2017.12.31	2016.12.31
Financial assets at fair value through profit or loss－current			
Shares of stock of listed companies	**$**	**335,983**	**214,836**
Financial assets carried at cost－non-current			
Stock of non-listed company	**$**	**59,516**	**59,243**
Financial liabilities at fair value through profit or loss－current			
Forward exchange contracts	**$**	**114**	**-**

A. For the period from January 1, 2016 to March 31, 2016, the Group recognized a loss of $123,177 because the leaseback arrangement for the capesize bulk carrier "Pounda" of Shagang Co. had expired. On March 30, 2016, the Group returned the remaining vessels prior to their maturity, hence, there were no contracts on freight rate options in 2016.

B. For the year ended December 31, 2017, the disposal proceeds of the Group deriving from the selling of its financial assets at fair value amounting to $292,047 had not yet been received, therefore, it was recognized as other receivables. However, the said amount had been received prior to the reporting date.

C. Fair value sensitivity analysis

If the equity price had changed and if the analysis was on the same basis for both years, and assuming that all other variables considered in the analysis remained the same, the impact of an equity price change on other comprehensive income would have been as follows:

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	After-tax profit (loss)	
	2017	**2016**
Increase 3%	**$ 10,079**	**6,445**
Decrease 3%	**$ (10,079)**	**(6,445)**

D. The financial assets carried at cost of the Group which do not have quoted market prices in an active market and whose fair value cannot be reliably measured are booked at original cost. As of December 31, 2017 and 2016, the information on the Group's recognition of impairment loss on the financial assets carried at cost was as follows:

	2017.12.31	**2016.12.31**
Leo Exploitation Co., Ltd.	**3,722**	**3,722**

E. The Group uses forward foreign exchange contracts to hedge the variability in fair value arising from the changes in foreign exchange rates relating to confirmed commitment on purchasing its plant and equipment. The forward exchange contracts, which have yet to reach their maturity, are classified under derivative financial assets for hedge– current as follows:

	2017.12.31	
	Contract period (EUR/thousands)	**Expiration date**
Call EUR/ Put NTD	**$ 1,000**	**2018.8.17**

F. Please refer to Note 6(25) for the remeasurement of fair value.

G. Please refer to Note 6(26) for the Group's information on financial instrument risk management.

(3) Notes and accounts receivable and other receivable, net

	2017.12.31	**2016.12.31**
Notes receivable	$ 1,649	11,986
Notes receivable－discounted	2,422	5,544
Installment notes receivable	50,464	-
Less: Unrealized interest revenue	(1,076)	(5,493)
Subtotal	53,459	12,037
Less: Allowance for doubtful accounts	(14,607)	(17)
Total notes receivable	38,852	12,020
Accounts receivable	420,706	361,617

(All Amounts Expressed in Thousands of New Taiwan Dollars)

		2017.12.31	2016.12.31
Installment accounts receivable		-	75,992
Less: Unrealized interest revenue		-	(5,549)
Subtotal		420,706	432,060
Less: Allowance for doubtful accounts		(55,237)	(32,344)
Total accounts receivable		365,469	399,716
Other notes receivable		-	114,286
Other receivables		543,042	684,997
Less: Allowance for doubtful accounts		-	-
Total other notes receivable and other receivables		543,042	799,283
Long-term receivable		-	40,658
Total	**$**	**947,363**	**1,251,677**

Aging analysis of the receivables on the balance sheet date was as follows:

		2017.12.31	2016.12.31
Past due less than 360 days	$	11,939	73,558
Past due more than 360 days		7,754	13,540
	$	**19,693**	**87,098**

The overdue receivables amounted to $324,867 and $380,132 on December 31, 2017 and 2016, respectively. Therefore, the Group had recognized the allowance for doubtful accounts for all of its overdue receivables.

(4) Inventories

		2017.12.31	2016.12.31
Goods held for sale	$	108,312	42,924
Buildings and land held for sale		-	16,065
Raw materials and others (including fuel)		119,471	137,281
	$	**227,783**	**196,270**

A. The inventory market price (recovery gain) decline loss was $(51,586) and $15,254 for the years ended December 31, 2017 and 2016, respectively.

B. No inventories were pledged as collateral on December 31, 2017 and 2016, respectively.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(5) Non-current assets held for sale (or discontinued operations)

A. Within a year's time, the Group is expected to dispose all of its shares in its fully owned subsidiary, EED; therefore the disposal was recognized as non-current assets held for sale (or discontinued operation), which excludes EED's subsidiaries (Eastern En, Eastern Food (Shanghai), and Eastern Enterprise Shanghai Logistics Ltd.) The related procedure has yet to be completed. The assets and liabilities incurred from the above disposal amounted to $1,290,019 and $90,079, respectively, for the year ended December 31, 2017. The details are as follows:

		2017.12.31
Cash and cash equivalents	$	76,639
Notes receivable		2,242
Accounts receivable		110,363
Other receivables		26,307
Inventories		4,771
Prepayments		10,514
Property, plant and equipment		537,530
Deferred income tax assets		70,926
Long-term prepaid rent		450,727
	$	**1,290,019**
Accounts payable		30,454
Other payables		59,625
	$	**90,079**
Accumulated revenues or expenses recognized in other comprehensive income which were related to the non-current assets held for sale (or discontinued operations)	$	**139,221**
The amount was written off because of consolidation which was related to the non-current assets held for sale (or discontinued operations)	$	**100,632**

As of the audit report date, March 22, 2018, the capital proceeds of $600,208 had been received, and recognized as unearned receipts.

There was no impairment loss resulting from measuring at the lower of other carrying amount and fair value less costs to sell.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

B. Please refer to Note 8 for the non-current assets held for sale (or discontinued operations) pledged as collateral.

(6) Investments accounted for using equity method

A. The Group's financial information for investments accounted for using the equity method at the reporting date was as follows:

	2017.12.31	2016.12.31
Associates	$ 6,312	604,689

B. Affiliates which are material to the Group consisted of the followings：

Name of Affiliates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights 2017.12.31	Proportion of shareholding and voting rights 2016.12.31
Eastern Broadcasting Co., Ltd.	Domestic and international TV program planning	Taipei	- %	21.32%

a、 The Group sold all of its 21.32% shares in EBC to Promos International Investment Co., Ltd. (Promos) on November 2, 2017. The relevant details are as follows:

	2017		
Name of Investee	Price	Carrying amount	Gain on disposal (including other adjustment)
Eastern Broadcasting Co., Ltd.	$ 3,766,400	558,922	3,052,750

The registration of share transfer was completed on November 14, 2017. The Group had received the total consideration less related costs of $740, and recognized the gain on disposal of investments amounting to $4,866, $(3,072), and $(5,365), resulting from realized additional paid-in capital, cumulative translation adjustment, and available-for-sale financial assets, respectively. In addition, Promos and the Group entered into a special agreement, wherein if Promos, directly or indirectly, acquires the shares of EBC from Carlyle Group (Carlyle) (who owned a significant amount of EBC's shares) after obtaining the approval from the related authority, Promos shall have the majority of the voting rights of EBC. Consequently, when EBC issues 8,350 thousand new shares, its total capital will increase to 121,112 thousand shares due to the exercise of its employee stock options, and those employees who agreed to sell back their shares to EBC. Promos and the Group will then recalculate the price per share in accordance with the above agreement. The difference of the estimated consideration amounted to $150,437, which was recognized in other current liabilities. If the expectation differs from the previous estimates, the changes will be accounted for as changes in accounting estimates.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

b、 Eastern Broadcasting Co., Ltd.

The following consolidated financial information of significant affiliates had been adjusted according to individually prepared IFRS financial statements of these affiliates:

	2017.12.31	2016.12.31
Current assets	$ -	3,069,173
Non-current assets	-	1,145,965
Current liabilities	-	(1,302,307)
Non-current liabilities	-	(122,240)
Net assets	$ -	2,790,591
Net assets attributable to non-controlling interests	$ -	1,594,544
Net assets attributable to investee	$ -	1,196,047

	Jan. to Oct., 2017	2016
Operating revenue	$ 4,591,286	5,710,037
Net income	$ 813,250	1,022,501
Other comprehensive income	47,240	(17,586)
Total comprehensive income	$ 860,490	1,004,915
Comprehensive income (loss) attributable to non-controlling interests	$ -	574,208
Comprehensive income (loss) attributable to investee	$ 860,490	430,707

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Jan. to Oct., 2017	2016
Share of net assets of associates as of January 1	$ 592,961	561,860
Comprehensive income attributable to the Group	183,472	229,208
Dividends received from associates	(217,805)	(198,499)
Changes in additional paid in capital attributable to the Group	294	392
Share of net assets of associates as of December 31	558,922	592,961
Add: goodwill	-	-
Less: dispose of associates	(558,922)	-
Carrying amount of associates as of December 31	**$ -**	**592,961**

C. The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	2017.12.31	2016.12.31
Carrying amount of individually insignificant associates' equity	**$ (6,312)**	**11,728**

	2017.12.31	2016.12.31
Attributable to the Group:		
Loss from continuing operations	$ (1,127)	(787)
Other comprehensive income (loss)	-	-
Comprehensive income	$ (1,127)	(787)

D. Please refer to Note 8 for the investments accounted for using the equity method that were pledged as collateral.

(7) Acquire a subsidiary

A. On January 23, 2017, the Group obtained control over Mohist Web technology Co., Ltd. (Mohist) by acquiring 51% of its shares. All necessary legal procedures had been completed in February 2017.

(a) The consideration of the above acquisition transfer was solely paid in cash.

(b) The recognized amounts of assets acquired and liabilities assumed at the acquisition date are summarized below:

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Recognizable assets and assumed liabilities acquired on the acquisition date		Fair value
Cash and cash equivalent	$	2,879
Accounts receivable, other receivables and prepayments		4,869
Inventories		3,065
Property, plant and equipment		130
Other current assets and non-current assets		407
Accounts payable, expenses payable and other payables		(3,123)
Other liabilities		(1,402)
Fair value of identifiable net assets	$	**6,825**

Identifiable assets and liabilities recognized by the Group were measured at fair value on the acquisition date. If there is information discovered within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provision amounts, or any additional provisions as at the acquisition date, then the acquisition accounting will be revised.

(c) Goodwill

Consideration transferred	$	35,400
Add: Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)		3,344
Less: Fair value of identifiable net assets		(6,825)
Goodwill	$	31,919

The goodwill was attributable mainly to the profitability of the voucher platform of the accommodations and restaurants of Mohist and to the synergies expected to be achieved from integrating the company into the Group's existing E-commerce business. None of the goodwill recognized was expected to be deductible for tax purposes.

In the eleven months to 31 December 2017, Mohist contributed revenue of $24,592 and profit after tax of $507 to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been $27,877 and consolidated profit after income tax would have been $575. In determining these amounts, the management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2017.

The Group incurred acquisition-related costs of $278 on legal fees and due diligence costs. These costs have been included in operating expenses in the statement of comprehensive income.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

B. The merger agreement between the consolidated subsidiary - Sen Sen Home Shopping Co., Ltd. ("U life") and another Group's subsidiary Eastern Home Shopping & Leisure Co., Ltd. ("EHS") was approved by the board of directors of U life, on December 16, 2016. The merger was taken place according to the Enterprises Mergers and Acquisitions Act based on the merger record date of April 1, 2017. According to the agreed stock exchange ratio (0.885:1), EHS issued 45,489 thousands ordinary shares to the shareholders of U Life. After the merger, EHS as the surviving company absorbed the existing original rights and obligations of the dissolved company, U Life.

The Group signed a contract agreement with other stockholders who had voting rights to obtain a substantial control over the surviving company and considered it to become a subsidiary, in April 27 ,2017. The Group gained over the half seats of the shareholder meeting for new board re-election of surviving company in April 27, 2017, and was elected as representative of the company.

(a) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalent	$	1,910,127
Other current assets		2,144,947
Other non-current assets		5,220,037
Current liabilities		(5,949,233)
Non-current liabilities		(2,066,611)
Identifiable net assets	$	**1,259,267**
Shareholding ratio		**25.46%**
Identifiable net assets, attributable to the Group	$	**320,653**

(b) Adjustment of retained earnings

Adjustment of retained earnings resulted from the acquisition was as follows:

Transfer consideration	$	365,674
Less: Carrying amount of identifiable net assets acquired by the Group		(320,653)
Adjustment of retained earnings	$	**45,021**

(c) The merger was accounted as joint control, using carrying amount method in accordance with the International Financial Reporting Standard No.3. The difference between the acquisition price and the carrying amount of identifiable net assets acquired by the Group was amounted to $45,021, and should be deducted from its retained earnings.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(d) In the nine months to 31 December 2017, Eastern Home Shopping & Leisure Co., Ltd. contributed revenue of $9,702,212 and profit after tax of $323,312 to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been $11,871,280 and consolidated profit after income tax would have been $372,418. In determining these amounts, the management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2017.

(8) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

		Percentage of non-controlling interests	
Subsidiaries	**Main operation place**	**December 31, 2017**	**December 31, 2016**
Eastern Home Shopping & Leisure CO., Ltd.	Taiwan	74.54 %	- %

The following information of the aforementioned subsidiaries had been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information were the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intragroup transactions were not eliminated in this information.

The financial information of Eastern Home Shopping & Leisure CO., Ltd. was as follows:

	December 31, 2017
Current assets	$ 1,338,484
Non-current assets	5,037,039
Current liabilities	(3,056,413)
Non- current liabilities	(1,727,597)
Net assets	**$ 1,591,513**
Non-controlling interests, attributable to investee's subsidiary	**$ 10,238**
Non-controlling interests, attributable to investee	**$ 1,178,628**
Net assets, attributable to parent	**$ 402,647**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

		Apr. to Dec., 2017
Sales revenue	**$**	**9,734,646**
Net income	$	323,312
Other comprehensive income		1,463
Comprehensive income	**$**	**324,775**
Profit, attributable to non-controlling interests	**$**	**240,986**

		Apr. to Dec., 2017
Comprehensive income, attributable to non-controlling interests	**$**	**242,076**
Net cash flows from operating activities	$	(979,973)
Net cash flows from investing activities		54,636
Net cash flows from financing activities		(43,364)
Net loss in cash and cash equivalents	**$**	**(968,701)**

(9) Loss of control of subsidiaries

A. The Group had sold all of its shares in Eastern Entertainment to a third party with a consideration of $40,230 on July 20, 2017. The Group derecognized Eastern Entertainment from the date of disposal as its subsidiary. The Group derecognized the assets, liabilities, and the related equity components of Eastern Entertainment, and recognized a gain on disposal of $29,897(deducted related tax $121), and recorded it as net gains on disposal of investment.

The carrying amount of assets and liabilities of Eastern Entertainment on July 20, 2017, was as follows:

Cash	$	8,005
Prepayments		2,287
Other payables		(80)
Carrying amount of net assets	$	**10,212**

B. The Group had sold all of its shares of Insbro Inc. to a third party with a consideration of $42,126 on November 20, 2017. The Group derecognized Insbro Inc. from the date of disposal as its subsidiary. The Group derecognized the assets, liabilities and the related equity components of Insbro Inc., and recognized a loss on disposal of $3,902.

C. The Group had sold 75% of the shares of Eastern Dome Inc. to a third party with a consideration of $280 on June 27, 2016. The Group derecognized Eastern Dome Inc. as its subsidiary from the date of disposal, as well as its assets, liabilities, and related equity components, and recognized a gain on disposal of $307,536, recorded as net gain on disposal of investment.

The carrying amount of assets and liabilities of Eastern Dome Inc. on June 27, 2016, was as follows:

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Cash	$ 1
Accounts receivable and other receivables	21,928
Other current assets	3,614
Other assets	250
Accounts payable and other payables	(332,029)
Other current liabilities	(21,705)
Other liabilities	(10,703)
Carrying amount of net assets	**$ (338,644)**

(10) Property, plant and equipment

A. The cost, depreciation, and impairment loss of the property, plant and equipment of the Group as of December 31, 2017 and 2016, were as follows:

	Land	Buildings	Machinery and equipment	Transportation equipment	Leasehold improvements	Construction in progress	Other equipment	Total
Cost or deemed cost:								
Balance on January 1, 2017	$ 497,427	1,593,517	418,260	231,943	344,346	15,312	306,911	3,407,716
Acquisition through business combinations	655,482	686,461	292,309	-	29,462	-	231,733	1,895,447
Additions	-	5,134	11,070	7,760	40,112	-	89,331	153,407
Transfers	-	3,793	(28,361)	(2,506)	(906)	(1,854)	(4,648)	(34,482)
Disposals	-	-	(248,130)	(30,089)	(60,269)	(7,010)	(158,959)	(504,457)
Reclassifications	-	(581,606)	(112,769)	(166,438)	-	(5,896)	(36,344)	(903,053)
Effect of movements in exchange rates	-	(23,278)	(4,901)	(4,939)	-	(418)	(773)	(34,309)
Balance on December 31, 2017	**$ 1,152,909**	**1,684,021**	**327,478**	**35,731**	**352,745**	**134**	**427,251**	**3,980,269**
Balance on January 1, 2016	$ 1,565,986	2,720,834	410,641	190,365	486,185	47,210	794,590	6,215,811
Additions	-	14,547	19,006	2,211	39,250	2,938	29,300	107,252
Transfers	-	(43,025)	2,156	68,461	28,228	(23,829)	76,500	108,491
Disposals	(1,068,559)	(1,040,583)	(1,603)	(17,588)	(209,316)	(9,939)	(591,932)	(2,939,520)
Effect of movements in exchange rates	-	(58,256)	(11,940)	(11,506)	(1)	(1,068)	(1,547)	(84,318)
Balance on December 31, 2016	**$ 497,427**	**1,593,517**	**418,260**	**231,943**	**344,346**	**15,312**	**306,911**	**3,407,716**
Depreciation and impairment loss:								
Balance on January 1, 2017	$ 5,740	571,964	336,740	122,143	168,395	-	244,572	1,449,554
Acquisition through business combinations	-	193,646	289,846	-	12,376	-	186,317	682,185
Depreciation for the period	-	88,868	33,594	9,594	99,358	-	64,861	296,275
Impairments	-	-	-	953	-	-	3,024	3,977
Transfers	-	11,452	(9,532)	(2,853)	-	-	(560)	(1,493)
Disposals	-	-	(248,129)	(30,089)	(58,840)	-	(158,527)	(495,585)
Reclassifications	-	(199,635)	(71,600)	(71,075)	-	-	(23,213)	(365,523)
Effect of movements in exchange rates	-	(6,955)	(23,085)	(2,460)	-	-	(531)	(33,031)
Balance on December 31, 2017	**$ 5,740**	**659,340**	**307,834**	**26,213**	**221,289**	**-**	**315,943**	**1,536,359**
Balance on January 1, 2016	$ 724,668	1,099,451	333,043	101,993	295,202	-	704,971	3,259,328
Depreciation for the period	-	96,960	27,470	17,103	74,088	-	34,955	250,576
Impairments	5,740	45,956	-	-	-	-	-	51,696
Transfers	-	(7,807)	(14,926)	25,322	7,807	-	78,935	89,331
Disposals	(724,668)	(646,520)	(1,269)	(16,786)	(208,702)	-	(573,142)	(2,171,087)

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Land	Buildings	Machinery and equipment	Transportation equipment	Leasehold improvements	Construction in progress	Other equipment	Total
Effect of movements in exchange rates	-	(16,076)	(7,578)	(5,489)	-	-	(1,147)	(30,290)
Balance on December 31, 2016	$ 5,740	571,964	336,740	122,143	168,395	-	244,572	1,449,554
Carrying amounts:								
Balance on December 31, 2017	$ 1,147,169	1,024,681	19,644	9,518	131,456	134	111,308	2,443,910
Balance on December 31, 2016	$ 491,687	1,021,553	81,520	109,800	175,951	15,312	62,339	1,958,162

B. For the needs of the Yang-Mei development project, the Group acquired land for $51,402. Because this land is for agricultural use only, the land can only be legally registered under an individual's name. Thus, the Group has entered into a trust agreement with Mr. Shang-Wen Liao, the chairman of the board of directors of the Company, to register the land under his name. The Group disposed all of its property, plant and equipment in Taoyuan, as well as the related housing and equipment (including parts of the buildings and land held for sale) on January 21, 2016 after obtaining the approval from the board of directors. The carrying amount of the disposal amounted to $765,936. The Group handed over, transferred its property rights, and received the whole amount on July 1, 2016. In addition, the Group assessed its impairment based on the expected disposal price and value in use, and recognized the impairment losses of $51,696 for the years ended December 31, 2016.

C. Under the influence of the political and economic conditions over hotel resort industry, the Group recognized the impairment losses of $3,977 and $51,696 on the property, plant and equipment in 2017 and 2016, respectively.

D. Please refer to Note 6(5) for the details of the property, plant and equipment transferred as non-current assets held for sale.

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

(11) Investment property

A.		2016
Cost or deemed cost:		
Balance as of January 1	$	7,250,800
Addition (subsequent expenditure recognized as assets)		10,594
Net gain (loss) on adjustment of fair value		5,490
Disposal		(7,266,884)
Balance as of December 31	$	-

(All Amounts Expressed in Thousands of New Taiwan Dollars)

B. On August 12, 2016, the board of directors approved to dispose 4 pieces of land, belonging to the Group, located at No.408, 408-2, 430 and 438-1, Fengnian Section, Beitou Dist., Taipei, as well as the fees allocated for its previous plan, to fund its business operation and to optimize the use of its assets. At the same month, the Group also (i) entered into an agreement to sell one of its real estate, (ii) completed the transfer of its property rights and (iii) received the payment in full amount.

(12) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2017 and 2016, were as follows:

		Goodwill	Client rights	Supplier contracts	Computer software	Other intangible assets	Total
Cost:							
Balance on January 1, 2017	$	16,732	-	-	151,007	4,366	172,105
Additions		31,919	-	-	8,613	2,012	42,544
Acquisition through business combinations		3,254,181	1,334,010	51,768	318,537	-	4,958,496
Transfers		(9,092)	-	-	(6,003)	-	(15,095)
Disposal of subsidiaries		(1,927)	-	-	(5,004)	(165)	(7,096)
Disposals		-	-	-	(236,272)	(664)	(236,936)
Effect of movement in exchange rates		(238)	-	-	(125)	-	(363)
Balance on December 31, 2017	**$**	**3,291,575**	**1,334,010**	**51,768**	**230,753**	**5,549**	**4,913,655**
Balance on January 1, 2016	$	17,017	-	-	127,422	3,379	147,818
Additions		-	-	-	31,987	1,487	33,474
Transfers		-	-	-	117	-	117
Disposals		-	-	-	(8,519)	(500)	(9,019)
Effect of movements in exchange rates		(285)	-	-	-	-	(285)
Balance on December 31, 2016	**$**	**16,732**	**-**	**-**	**151,007**	**4,366**	**172,105**
Depreciation and impairment loss:							
Balance on January 1, 2017	$	-	-	-	76,706	1,158	77,864
Acquisition through business combinations		-	972,716	36,237	310,165	-	1,319,118
Amortization for the year		-	83,375	3,107	30,668	995	118,145
Impairment loss		-	-	-	10,730	165	10,895
Transfers		-	-	-	(12,352)	-	(12,352)
Disposal of subsidiaries		-	-	-	(5,004)	(165)	(5,169)
Disposals		-	-	-	(226,376)	(621)	(226,997)
Effect of movements in exchange rates		-	-	-	(288)	-	(288)
Balance on December 31, 2017	**$**	**-**	**1,056,091**	**39,344**	**184,249**	**1,532**	**1,281,216**
Balance on January 1, 2016	$	-	-	-	47,731	205	47,936
Amortization for the year		-	-	-	30,789	332	31,121
Impairment loss		-	-	-	-	679	679
Disposals		-	-	-	(1,834)	(58)	(1,892)
Effect of movements in exchange rates		-	-	-	20	-	20
Balance on December 31, 2016	**$**	**-**	**-**	**-**	**76,706**	**1,158**	**77,864**

Carrying amounts:

(All Amounts Expressed in Thousands of New Taiwan Dollars)

		Goodwill	Client rights	Supplier contracts	Computer software	Other intangible assets	Total
Balance on December 31, 2017	$	3,291,575	277,919	12,424	46,504	4,017	3,632,439
Balance on December 31, 2016	$	16,732	-	-	74,301	3,208	94,241

The Group acquired the goodwill, identifiable intangible assets, and other intangible assets of Eastern Home Shopping & Leisure from the merger of subsidiaries, to a total amount of $3,639,378 on April 1 2017. Please refer to Note 6(7) for the details of the relevant information. Identifiable intangible assets comprised customer relationship and supplier contracts which were amortized from the year of the acquisition date.

Goodwill and trademarks with undetermined useful lives were allocated to the acquirer's identifiable cash-generating units. The recoverable amount was based on its value in use, determined by pre-tax cash flow forecasts of four-year financial budgets approved by the management.

The recoverable amount measured by gross profit ratio, growth rate and discount rate exceeded the carrying amount, thus, impairment loss did not occur. The management made a decision on the projected gross profit ratio relying on the past performance and the prediction on market development. The weighted average growth rate was aligned with the prediction of the industry report. The discount rate was a pre-tax measure reflecting specific risks of the relative operating divisions.

The management believed that any reasonable changes to key assumptions used for determining recoverable amount of each cash-generating unit would not cause its carrying amount greater than the recoverable amount. The recoverable amount determined under aforesaid the key assumptions comparing with the carrying amount of the assets used for operation and the goodwill on the valuation date, ended up with no impairment loss should be recognized for the years ended December 31, 2017 and 2016, respectively.

(13) Long-term prepaid rents

		2017.12.31	2016.12.31
Long-term prepaid rents	$	-	479,714

A. The Group entered into an agreement with China Bureau of Land and Resources to obtain the land use right, which has an amortization period of 30 years. The above contract excluded any contingent rental.

B. On September 30, 2017, the land use right mentioned above had transferred to non-current assets held for sale. Please refer to Note 6(5).

C. Please refer to Note 8 for the details of the long-term prepaid rents pledged as collateral.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(14) Short-term loans

		2017.12.31	2016.12.31
Secured bank loans	$	319,680	202,230
Other short-term loans		76,511	92,980
Total	**$**	**396,191**	**295,210**
Unused credit line	**$**	**232,768**	**409,157**
Interest rate		**2.22%~5.22%**	**3.06%**

Please refer to Note 8 for the details of the related assets pledged as collateral.

(15) Long-term loans

	2017.12.31				2016.12.31			
	Currency	**Interest rate**	**Expiration**	**Amount**	**Currency**	**Interest rate**	**Expiration**	**Amount**
Secured bank loans	TWD	2.15%	2018~2023	$ 1,600,000	TWD	3.44%~6.77%	2016~2020	694,500
Other secured loans	TWD	3%	2018	1,624	TWD	3%	2016~2018	8,124
Less: Current portion				(41,553)				(600,264)
Fees				(71)				(13,390)
Total				**$ 1,560,000**				**88,970**
Unused long-term credit lines				**$ 800,000**				**355,236**

A. According to the terms of the loan agreement, some of the long-term loans mentioned above should satisfy with relative credit terms to be disclosed in the Group's individual and consolidated financial statements. Otherwise, the Group will have to make an adjustment within 3 months. However, the Group had repaid the above-mentioned loan in November, 2017. There was no limitation on the above-mentioned financial ratio for the year ended December 31, 2017.

B. The subsidiary Eastern Home Shopping & Leisure acquired a long-term loan of $1,591,256 which was guaranteed by the related party on merger record date, April 1, 2017. According to the loan contract, the Group should maintain the following amount or financial ratios at the end of each quarter during the contract terms (measured on the basis of consolidated statements):

(a) The highest debts ratio: total financial liabilities EBITDA divided by EBITDA should not be higher than 350%.

(b) The lowest interest coverage ratio: EBITDA divided by interest expense should not be lower than 250%.

(c) The lowest principal interest coverage ratio: EBITDA divided by current portion of long term loan principal plus interest expense should not be lower than 120%.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(d) Accounts payable turnover rate: should not be more than 150 days.

The subsidiary Eastern Home Shopping & Leisure had repaid the above-mentioned loan in August, 2017. There was no the above-mentioned financial ratio limitation for the year ended December 31, 2017.

C. Please refer to Note 8 for details of the related assets pledged as collateral.

(16) Provisions

		Onerous contract
Balance on January 1, 2017	$	605,374
Provisions reversed during the year		(347,205)
Foreign exchange gain/loss		(40,964)
Balance on December 31, 2017	**$**	**217,205**
Balance on January 1, 2016	$	1,230,225
Provisions made during the period		(598,810)
Foreign exchange gain/loss		(26,041)
Balance on December 31, 2016	**$**	**605,374**

		2017.12.31	2016.12.31
Current	$	175,583	495,237
Non-current		41,622	110,137
	$	**217,205**	**605,374**

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. However, the daily rental for all kinds of shipping fluctuates drastically and rapidly, and the rational amount of loss could not be easily calculated. In order to make the appropriate disclosure by following the regulations, the Group should consult the available information from the market and estimate the amount equivalent to the unavoidable cost which is higher than the expected receivable economic value for the years ended December 31, 2017 and 2016. The Group recognizes the amount as loss for the period. Therefore, according to the report Time Charter Rate of Panamax provided by Dr. Chou of National Taiwan Ocean University - Department of Shipping and Transportation, the Group estimates the freight rate for the next five-year period and probable operating loss using a discount rate of 6%.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(17) Operating lease

A. The Group engages in the business of renting out ships and silos, and the related non-cancellable rental payables of operating leases are as follows:

		2017.12.31	2016.12.31
Less than one year	$	1,096,773	1,223,986
Between one and five years		918,187	858,200
Over five years		867,703	-
	$	**2,882,663**	**2,082,186**

The Group leased a number of ships, silos, warehouses, offices, and pieces of equipment under operating leases and had an option to renew the leases. The period of the leases is typically 1 to 10 years. Lease payments are increased every year to reflect market rentals. Some leases provide for additional rent payments based on changes in a local price index.

For the years ended December 31, 2017 and 2016, the amounts of $1,433,074 and $1,447,390, respectively, were recognized as expense in profit or loss in respect of operating leases.

Leases for warehouses and factories were signed along with the lease of land and buildings. Since land ownership has not transferred yet, rent paid to the landlord is regularly adjusted to reflect market rentals, and the Group does not participate in the residual value of the land and buildings, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord. Therefore, the Group recognized the lease as an operating lease.

B. In November 2012, the board agreed to lease part of the land located in the Beitou Fengnian Section and signed a leasing letter of intent with the lessee. Both sides signed the formal lease agreement on March 13, 2013, and the related clauses are as follows:

(a) The leasing period is 40 years.

(b) During the leasing period, the lessee has the right to use the land, and no one is able to sell the land or to pledge the land as collateral without the consent of both parties.

(c) The lessee has to pay the rent when the lessee commences its business operations on the site of the lease, or 15 months after the construction date, or the date after both parties agreed on postponing the rent in writing.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(d) Rent (excluding tax)

i. Rent during construction period: the lessee does not have to pay any rent during the construction period. If the construction period exceeds 12 months, the lessee should begin paying the monthly rental of $3,359 during the construction period.

ii. Basic rent: the fixed rent is $6,719 per month during the leasing period.

iii. Adjustment: during the leasing period, the rent will be adjusted every five years based on the consumer price index announced by the Directorate-General of Budget, Accounting, and Statistics, Executive Yuan, R.O.C., and the adjustment rate is limited to 7%.

C. With reference to Note 6(11), the Group disposed of its land and transferred the above lease agreement to the purchaser according to the contract in 2016.

(18) Employee benefits

A. Defined benefit plans

The Group determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

		2017.12.31	**2016.12.31**
Present value of defined benefit obligations	$	165,911	202,110
Fair value of plan assets		(107,870)	(69,263)
Recognized liabilities for defined benefit obligations	**$**	**58,041**	**132,847**

The Group's employee benefit liabilities are as follows:

(a) Composition of plan assets

The Group set aside pension funds in accordance with the regulations of the Council of Labor Affairs, and the pension funds are managed by the Pension Supervisory Committee. The annual earnings cannot be lower than the earnings attainable from two-year time deposits with the interest rates offered by local banks in accordance with the *Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund*.

The Group's Bank of Taiwan pension reserve account balance amounted to $107,870 at the end of the reporting period. The information used to calculated pension fund assets includes the asset allocation and yield of funds. Please refer to the information published on the website of the Council of Labor Affairs and the Labor Pension Supervisory Committee.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(b) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group were as follows:

		2017	2016
Defined benefit obligations at January 1	$	202,110	240,118
Current service costs and interest		5,813	6,402
Remeasurements of the net defined benefit liability (asset):			
Actuarial (losses) gains due to experience adjustments		457	(16,791)
Actuarial loss (gain) arising from demographic assumptions		3,186	-
Benefits paid by the plan		(66,468)	(27,619)
The effects of business combinations		20,813	-
Defined benefit obligation at December 31	**$**	**165,911**	**202,110**

(c) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

		2017	2016
Fair value of plan assets at January 1	$	69,263	29,792
Interest revenue		1,482	372
Remeasurements of the net defined liability (asset):			
Return on plan assets (excluding interest for the period)		(663)	(100)
Contributions made from employer		60,846	66,818
Benefits paid by the plan		(66,431)	(27,619)
The effects of business combinations		43,373	-
Fair value of plan asset at December 31	**$**	**107,870**	**69,263**

(d) Expenses recognized in profit and loss

The expenses recognized in profit or loss for the Group were as follows:

		2017	2016
Service cost of the period	$	3,076	3,554
Net interest on net defined benefit liability		2,737	2,910
Curtailment or settlement losses		(1,482)	(372)
	$	**4,331**	**6,092**
Operating cost	$	2,275	2,622
General and administrative expense		2,056	3,470
	$	**4,331**	**6,092**

(e) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2017 and 2016, was as follows:

(All Amounts Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Accumulated amount at January 1	$	(993)	15,758
The effects of business combinations		(4,597)	-
Recognized during the period		4,306	(16,691)
Accumulated amount at December 31	**$**	**(1,224)**	**(933)**

(f) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2017.12.31	2016.12.31
Discount rate	0.99%~1.50%	1.20%
Future salary increases	1.00%~2.00%	1.00%

The expected contribution to be made by the Group to the defined benefit plans for the one-year period after the reporting date of the year 2017 is $60,848.

The weighted-average lifetime of the defined benefits plans is 6~15.9 years.

(g)Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The sensitivity analysis of the Company's accrued pension liabilities as of December 31, 2017 and 2016, was as follows:

		Impact on present value of defined benefit obligations	
		Increase	Decrease
December 31, 2017			
Discount of 0.50%	$	(6,207)	6,878
Future salary change of 0.50%		6,797	(6,196)

	Impact on present value of defined benefit obligations	
	Increase	Decrease
December 31, 2016		
Discount of 0.50%	(7,527)	8,246
Future salary change of 0.50%	8,221	(7,577)

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of the sensitivity analysis for 2017 and 2016.

B. Defined contribution plans

The Group contributed 6% of the employees' monthly wages to the Labor Pension personal accounts at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group contributed a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

For the years ended December 31, 2017 and 2016, the Group contributed $90,199 and $69,088, respectively, under the pension plan to the Bureau of Labor Insurance.

(19) Income taxes

A. The income tax expense of the Group for the years ended December 31, 2017 and 2016, was as follows:

		2017	2016
Current income tax expense			
Current period	$	197,070	55,254
10% surtax on undistributed earnings		96	433
Adjustment for prior periods		(99)	(1,184)
		197,067	54,503
Deferred tax expense			
Origination and reversal of temporary differences		(2,394)	(8,122)
Income tax expense from continuing operations	**$**	**194,673**	**46,381**

The reconciliation of income tax and profit before tax was as follows:

		2017	2016
Profit before tax	**$**	**2,868,657**	**88,838**
Income tax at domestic statutory tax rate	$	487,672	15,102
Investment gain from domestic investment accounted for using equity method		(29,286)	(40,487)
Other adjustments in accordance with tax laws		(261,316)	80,639
Prior years' adjustment		(99)	(1,184)
Undistributed earnings additional tax at 10%		96	433
Reversal of deferred income taxes		(2,394)	(8,122)
	$	**194,673**	**46,381**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		2017.12.31	2016.12.31
Tax effect of deductible Temporary Differences	$	40,009	105,569
The carryforward of unused tax losses		1,748,422	1,900,271
	$	**1,788,431**	**2,005,840**

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The Company's estimated unused loss carry-forwards up to December 31, 2017, were as follows:

Year of Occurrence		Remaining Creditable Amount	Year of Expiration
2008 (approved)	$	1,820	2018
2009 (approved)		350,332	2019
2010 (approved)		488,195	2020
2011(approved)		1,859,169	2021
2012 (approved)		1,593,246	2022
2013 (filed)		1,691,059	2023
2014 (approved)		1,695,755	2024
2015 (filed)		1,556,636	2025
2016 (estimated)		522,337	2026
2017 (estimated)		596,200	2027
	$	**10,354,749**	

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Deferred Tax Assets:			
Balance, January 1	$	206,610	204,686
Acquisition from the combination		11,354	-
Recognized in profit or loss		2,394	(12,070)
Recognized in other comprehensive income		23,905	20,215
Effect of exchange rate		(2,593)	(6,221)
Reclassified to non-current assets held for sale		(70,926)	-
Balance, December 31	**$**	**170,744**	**206,610**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Deferred Tax Liabilities:			
Balance, January 1	$	4	334,729
Recognized in profit or loss		(4)	(20,192)
Recognized in other comprehensive income		-	(314,533)
Balance, December 31	**$**	-	**4**

C. The Company's tax returns for the years through 2014 were examined and approved by the tax authority.

D. The Company's information related to the unappropriated earnings and tax deduction ratio is summarized below:

	2017.12.31	2016.12.31
Unappropriated earnings of 1998 and after	(Note)	**$ (2,078,596)**
Balance of imputation credit account (ICA)	(Note)	**$ 388,021**

	2017 (estimated)	2016 (actual)
Tax deduction ratio for earnings distribution to ROC residents	(Note)	-%

The above-mentioned information on unappropriated earnings and tax deduction ratio has been prepared in accordance with Decree No.10204562810 issued by the Ministry of Finance on October 17, 2013.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(20) Capital and other equity

A. Ordinary shares

As of December 31, 2017 and 2016, the total value of nominal ordinary shares amounted to $15,000,000 with a par value of $10 (dollars) per share. The total number of shares was 695,987 thousand.

B. Capital surplus

In accordance with the Company Act as amended in January 2012, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donations. In accordance with the *Securities Offering and Issuance Guidelines*, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

C. Retained earnings

(a) Legal reserve

In accordance with the Company Act as amended in January 2012, 10 percent of net income should be set aside as statutory earnings reserve until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash, limited to the portion of legal reserve which exceeds 25 percent of the actual share capital.

(b) Special reserves

By choosing to apply exemptions granted under IFRS 1 *First-time Adoption of International Financial Reporting Standards* during the Company's first-time adoption of the International Financial Reporting Standards (IFRSs) endorsed by the Financial Supervisory Commission, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) shall be reclassified as investment property at the adoption date. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. As of December 31, 2014, the amount of special earnings reserve resulting from the adoption was $2,586,632. In 2016, the reversal of special earnings amounted $2,586,632 due to the disposal of the Group's investment property.

Investment property is subsequently measured at fair value, and in accordance with Ruling No. 1030006415 issued by the Financial Supervisory Commission on March 18, 2014, a special earnings reserve shall be appropriated in the amount of the net increase in fair value resulting from the first-time adoption of the fair value model and subsequently recognized in the following order when allocating distributable earnings every year:

i. Current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve in the amount of the current-period net increase in fair value resulting from subsequent measurement of investment property at fair value.

Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for the cumulative net increase in fair value from prior periods, and when the cumulative net increase in fair value decreases or the relevant asset is disposed of, this special earnings reserve shall be reversed as distributable earnings proportionately.

ii. In accordance with Ruling No. 1010047490 issued by the Financial Supervisory Commission on November 21, 2012, a special earnings reserve (which does not qualify for earnings distribution) is appropriated to account for the amount by which the market price is lower than the carrying amount of the parent company's shares held by subsidiaries, and the amount to be appropriated is in proportion to the shareholding ratio. When the market price subsequently rallies, the special earnings reserve shall be reversed proportionately.

iii. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes in other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(3) Earnings distribution

Considering the expenditures for business expansion, investment, and improving the financial structure, the Company has adopted the residual dividend policy. The Company's articles of incorporation require that all after-tax earnings shall first offset any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the amount of issued share capital. Aside from the aforesaid legal reserve, the Company may, under its articles of incorporation or as required by the government, appropriate a special reserve. The board of directors can propose the distribution of the remaining balance of the earnings and request approval from the shareholders.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

On May 11, 2017 and June 20, 2016, the Company's shareholders' meeting passed a resolution to the proposal of deficit offsets in 2016 and 2015.

(4) For the years ended December 31, 2017 and 2016, the Company subscribed capital increase by cash from subsidiary which failed to comply with the defined shareholding ratio causing a change in the shareholding ratio. An adjustment was made to retained earnings correspondingly by deducting $308,399 and $77,387, respectively.

(5) The merger of subsidiaries was accounted as joint control, using the carrying amount method. The difference between the purchase price and the carrying amount of identifiable net assets acquired should be deducted from retained earnings amounted to $45,021 for the year ended December 31, 2017.

D. Treasury shares

Eastern Home Shopping & Leisure (EHS) became a subsidiary of the Company on April 1, 2017. In previous years, EHS acquired a total of 5 thousand Company's shares with a price of $9.53 per share. As of 31 December 2017, all shares were remained unsold and the Company's share price was $10.85.

E. Other equity

	Foreign currency translation differences for foreign operations	Available-for-sale financial assets
Balance, January 1, 2017	$ 12,291	(19,204)
Exchange differences on foreign operations	(50,907)	-
Change in other comprehensive income (loss) of associates accounted for using equity method	(3,766)	13,839
Dispose of other comprehensive income of the associates recognized by the equity method reclassify to income	3,072	5,365
Balance, December 31, 2017	**$ (39,310)**	**-**
Balance, January 1, 2016	$ 114,657	(21,545)
Exchange differences on foreign operations	(98,695)	-

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	Foreign currency translation differences for foreign operations	Available-for-sale financial assets
Change in other comprehensive income (loss) of associates accounted for using equity method	(3,671)	2,341
Balance, December 31, 2016	**$ 12,291**	**(19,204)**

(21) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2017 and 2016 are as follows:

Basic earnings per share	**2017**	**2016**
Profit attributable to ordinary shareholders of the Company	**$ 2,528,545**	**241,758**
Weighted average number of ordinary shares at 31 December	**695,987**	**695,987**
Less: effect of treasury shares	**(4)**	-
Weighted average number of ordinary shares at 31 December	**695,983**	**695,987**
	$ 3.63	**0.35**

Diluted earnings per share	
Profit attributable to ordinary shareholders of the Company after adjustment	**$ 2,528,545**
Weighted average number of ordinary shares after adjustment at 31 December	**695,983**
Effect of dilutive potential ordinary shares	
Employee stock bonus	**843**
Weighted average number of ordinary shares (diluted) at 31 December	**696,826**
	$ 3.63

Note: The profit after tax covered the deficit, it didn't have dilutive effect for the year 2016, so there was no need to disclosure of diluted earnings per share.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(22) Revenue

Details of the Group's operating revenues are as follows:

		2017	2016
Sales revenue	$	11,341,084	6,899,581
Shipping revenue		635,948	502,485
Loading and storage revenue		1,165,571	1,128,197
Shipping service revenue		338,437	548,266
Travel service revenue		90,381	209,114
Sale of investment property		-	449,230
Others		639,236	796,312
	$	**14,210,657**	**10,533,185**

(23) Remuneration of employee

The Company's Articles of Incorporation requires that earning shall first be offset against any deficit, then, 3.5% of the net profit before tax will be distributed as employee remuneration.

For the year ended December 31, 2017, the Company estimated its employee remuneration amounting to $9,148. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, multiplied by the percentage of remuneration to employees. These remunerations were expensed under operating costs or expenses during 2017. The differences between the actual distributed amounts, as determined by the board of directors, and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognized in profit or loss in the following year. The numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. The Company reported its profit before tax for the year ended December 31, 2016. However, no remuneration to employee was recognized due to its deficit in the previous year.

The amounts of employees' and directors' remuneration, as stated in the consolidated financial statements, were identical to the actual distributions amounts for the year 2016. For further information, please refer to Market Observation Post System.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(24) Non-operating income and expenses

A. Other income

The details of other revenue were as follows:

		2017	2016
Interest income			
Interest income－bank deposits	$	13,412	14,402
Interest income－loans and receivables		18,620	17,477
Dividend income		617	678
Rental income		7,811	7,316
	$	**40,460**	**39,873**

B. Other gains and losses

The details of other gains and losses were as follows:

		2017	2016
Loss on disposal of property, plant and equipment	$	4,499	(9,314)
Gain on disposal of investments assets or liabilities		3,080,887	322,456
Loss on disposal of intangible assets		(7,047)	(1,245)
Net gains (losses) on evaluation of financial assets (liabilities) at fair value through profit or loss		49,608	145,807
Profit on adjustment of fair value－investment property		-	5,490
Foreign exchange gains		19,208	4,933
Impairment loss on non-financial assets		(14,872)	(51,294)
Other expenses		(17,479)	(109,933)
	$	**3,114,804**	**306,900**

C. Finance costs

The Group's finance costs were as follows:

		2017	2016
Interest expenses – bank loans	$	90,553	294,645
Finance expense		26,056	85,043
	$	**116,609**	**379,688**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(25) Financial instruments

A. Credit risk

(a.) Credit risk exposure

As at reporting date, the Group's exposure to credit risk and the maximum exposure were mainly from:

i. The carrying amount of financial assets recognized in the consolidated balance sheet; and

ii. The amount of liabilities as a result from the Group providing financial guarantees to its customers was $1,624 and $965,292.

(b.) Concentration of credit risk

The Group caters to a large group of customers; therefore, there is no concentration of regional credit risk.

B. Liquidity risk

The following are the contractual maturities of financial liabilities of the Group, including estimated interest payments and excluding the impact of netting agreements.

2017.12.31		**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Secured loans	$	1,997,744	2,060,426	289,012	223,775	216,809	1,330,830
Payables		2,896,477	2,896,477	2,825,593	70,884	-	-
Guarantee deposits received.		96,979	96,979	-	96,979	-	-
	$	**4,991,200**	**5,053,882**	**3,114,605**	**391,638**	**216,809**	**1,330,830**
2016.12.31		**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Secured loans	$	984,444	1,029,267	921,885	6,232	101,150	-
Payables		2,152,997	2,152,997	2,152,067	930	-	-
Guarantee deposits received.		68,370	68,370	-	68,370	-	-
	$	**3,205,811**	**3,250,634**	**3,073,952**	**75,532**	**101,150**	**-**

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

C. Exchange rate risk

(a) Exposure to exchange rate risk

The Group's financial assets and liabilities exposed to exchange rate risk were as follows:

	2017.12.31			2016.12.31		
	Foreign Currency	Exchange Rate	TWD	Foreign Currency	Exchange Rate	TWD
Financial assets						
USD:TWD	8,892	29.76	264,623	4,748	32.25	153,132
USD:HKD	3,440	7.81	26,871	3,352	7.76	25,996
CNY:TWD	23	4.44	104	20	4.65	92
Financial liabilities						
USD:TWD	1,026	29.76	30,522	2,419	32.25	78,006

(b) Sensitivity analysis

The Group's exposure to exchange rate risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable, and other payables that are denominated in foreign currency. If the TWD, when compared with USD, had appreciated or depreciated 1% (with other factors remaining constant on the reporting date), profit would have increased or decreased by $2,611 and $1,012 for the years ended December 31, 2017 and 2016, respectively. The analysis is performed on the same basis for both periods.

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years 2017 and 2016, foreign exchange gain (loss) (including realized and unrealized) amounted to $19,208 and $4,933, respectively.

D. Interest rate analysis

The interest risk exposure of the Group's financial assets and liabilities is described in the note on market risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative financial instruments on the reporting date.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities on the reporting date have been outstanding for the whole year. The Group's internal management reported the increases/decreases in interest rates, and changes in interest rates of one basis point are considered by management to be reasonably possible.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

If the interest rate had increased or decreased by 1%, the Group's net income would have increased or decreased by $16,568 and $8,215 for the years ended December 31, 2017 and 2016, respectively, assuming all other variable factors remained constant. This is mainly due to the Group's variable-rate borrowing.

E. Fair value of financial instruments

(a) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value for which the carrying amount is a reasonable approximation of the fair value and does not include the investments in equity instruments which do not have any quoted price in an active market.

			Fair Value			
		Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2017						
Financial assets designated as at fair value through profit or loss						
Available-for-sale and non-derivative financial assets	$	335,983	335,983	-	-	335,983
Financial assets at amortized cost		59,516	-	-	59,516	59,516
Derivative financial assets for hedging		114	-	114	-	114
December 31, 2016						
Financial assets designated as at fair value through profit or loss						
Available-for-sale and non-derivative financial assets	$	214,836	214,836	-	-	214,836
Financial assets at amortized cost		59,243	-	-	59,243	59,243

(b) Valuation techniques for financial instruments not measured at fair value

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows:

i. Held-to-maturity financial assets

If the held-to-maturity financial asset has a quoted market price in an active market, the fair value is the market price. If not, the fair value is estimated by a valuation technique or the quotation from a third party.

ii. Debt investments without an active market and financial liabilities measured at cost

The debt investments without an active market of the Group are time deposits with original maturities over 3 months. If there are transaction prices or prices announced by a market maker, the fair value is based on the recent transaction price and quotation information. The fair value is estimated by a valuation technique if there is no market value for reference. The estimations and assumptions of valuation techniques are evaluated based on the present value of the discounted cash flow model.

(c) Valuation techniques for financial instruments measured at fair value

i. Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the consolidated balance sheet date.

ii. Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

(d) Transfers between Level 1 and Level 2 of the fair value hierarchy

For the years ended December 31, 2017 and 2016, there were no transfers.

(e) Statement of changes in fair value measurements of financial assets in Level 3

		2016
Opening balance, January 1	$	153,424
Total gains and losses recognized in profit or loss		(153,424)
Ending Balance, December 31	**$**	-

For the years ended December 31, 2017 and 2016, total gains and losses were included in "other gains and losses".

(f) Quantitative information for fair value measurements using significant unobservable inputs (Level 3)

Fair value measurements of the Group are classified in Level 3, which mostly comprises financial liabilities and derivative financial instruments measured at fair value through profit or loss.

Most of the fair value measurements of the Group are classified in Level 3 and have a single significant unobservable input. There are two or more unobservable inputs only for investments in equity instruments in a non-active market. The significant unobservable inputs for investments in equity instruments in a non-active market are independent so that there exists no inter-relationship.

(26) Financial risk management

A. Overview

The Group is exposed to the following risks due to usage of financial instruments:

(A) Credit risk

(B) Liquidity risk

(C) Market risk

This note describes the Group's information concerning risk exposure and the Group's targets, policies and procedures to measure and manage the risks. For more quantitative information about the financial instruments, please refer to related notes to the financial statements.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has deputized the management of core business departments to develop and monitor the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, which arises principally from the Group's receivables from customers and financial instruments.

(a) Accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. For the year ended December 31, 2017, 10% of the Group's revenue was not concentrated with a single customer; therefore, there was no significant concentration of credit risk.

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed periodically. The Group would not trade with clients who cannot meet the basic credit rating requirement through regular review.

The Group monitored customer credit risk, customers are grouped according to their credit characteristics. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Risk Management Committee, and future sales are made on a prepayment basis.

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk.

The Group has set up an allowance for doubtful accounts to reflect the estimate of incurred losses with respect to trade receivables. The collectible status of the allowance for doubtful accounts is divided into five stages: normal, noticeable, recoverable, recoverable with difficulty, and uncollectible. The Group recognizes 0.2%~100% of the balance of the accounts receivable as impairment loss.

(b) Investment

The credit risk exposure of the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the General Manager's office. The

Group only deals with financial institutions, corporations and organizations with a credit rating of investment grade or higher; therefore, there are no significant doubts regarding default on the above financial instruments, and as a result, there is no significant credit risk.

(c) Guarantee

The Group's policy is to provide financial guarantees only to subsidiaries, related-parties and enterprises within the same industry level. According to the government policy of provision to be included in and Prohibitory Provisions of Standard Form Contract for all the gift certificates, the issuer of the gift certificates has to perform its obligation with being guaranteed by either the financial institutions or mutual peers guarantee with sufficient performance guarantee. As of December 31, 2017 and 2016, due to the above-mentioned policy, the Group issued the same quota amount of gift certificates with Shopnet Homeshopping Co., Ltd. within the mutual guarantees scheme. In addition, there were no further guarantees provided by the Group.

D. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As of December 31 2017, the Group had unused bank credit lines for short-term borrowings amounting to $1,032,768. According to the Group's evaluation, the working funds of the Group are sufficient to meet its entire contractual obligations and non-hedging forward exchange contracts; therefore, management does not expect any significant issue regarding liquidity risk. The Company revised the plan for real estate and investments, which is expected to improve liquidity risk. Equity investments recorded as financial assets carried at cost do not have reliable market prices and are expected to have liquidity risk.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (TWD), US Dollar (USD), and Chinese Yuan (CNY). The currencies used in these transactions are the TWD, EUR, and USD.

Interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, and the main currency is the New Taiwan Dollar.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(b) Interest rate risk

The Group's interest rate risk is managed by maintaining an appropriate combination of fixed and floating interest rates and Constant Maturity Swaps. The Group periodically evaluates the hedging activities and makes the interest rate and risk preference consistent, so that the hedging strategies are most cost effective.

(c) Other market price risk

The Group is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments since the management of the Group monitors and manages the equity investments by holding different investment portfolios. Additionally, the equity price risk resulted from holding the available-for-sale equity instruments used to offset the insufficient funding of the defined benefit retirement obligations. The Group's management will adjust the investment portfolios of stocks and bonds based on the market price. The significant components of the investment portfolios are individually managed.

(27) Capital management

The Group meets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to shareholders, to safeguard the interests of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

The Group uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity interest, and non-controlling interests plus net debt.

As at December 31, 2017, the Group's capital management strategy is consistent with the prior year as at December 31, 2016, ensure financing at a reasonable cost. The Group's debt-to-equity ratios at the balance sheet dates were as follows:

		2017.12.31	2016.12.31
Total liabilities	$	6,847,146	4,278,225
Less: cash and cash equivalents		(4,759,719)	(3,480,921)
Net debt		2,087,427	797,304
Total equity		8,255,690	5,035,523
Total capital	**$**	**10,343,117**	**5,832,827**
Debt-to-equity ratio		**20%**	**14%**

As of December 31, 2017, the Group's debt to equity ratio had increased due to the merger of Eastern Home Shopping & Leisure and U Life, which led to an increase of liabilities.

7. RELATED-PARTY TRANSATIONS

(1) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Eastern Broadcasting Co., Ltd.	An associate (Note 1)
JiangsuSen Fu Da Media Technology Co., Ltd.	An associate
Dongsen D'Amour SPA	An associate (Note 2)
Dongsen Personal Insurance Agent Co., Ltd.	Key management personnel
Dingfeng communication Co., ltd	Key management personnel
Yuanfu International Co., Ltd.	Key management personnel
Mori International Co., Ltd.	Key management personnel
Shangwen Liao	Key management personnel
Cai Gaoming	Key management personnel
Zhenlong Wu	Key management personnel
Jianwen Gao	Key management personnel
Qingji Chen	Key management personnel
Xianglan Song	Key management personnel
Liu Yuan Huan Co., Ltd.	Other related parties
Liu Yuan Huan (Shanghai) Co., Ltd.	Other related parties
Tai Roun Products Co. Ltd.	Other related parties
Top Food Industry Corporation	Other related parties
Taiwan Gift Card Co. Ltd.	Other related parties
Bai Hang Co. Ltd.	Other related parties
Lion'sKingdom Culture Development Co., Ltd.	Other related parties
Enlighten Innovative Transformation Co., Ltd	Other related parties
Dongsen Non-Life Insurance agent Co. Ltd.	Other related parties

Name of related party	Relationship with the Group
Dongsen Health Life Co., Ltd.	Other related parties
Dongsen Health Technology Co., Ltd.	Other related parties
Dongsen Health Biomedical Co., Ltd.	Other related parties
SYSTEX Co., Ltd.	Other related parties
Hsinchu Logistics Co., Ltd.	Other related parties
Eastern Home Shopping & Leisure Co., Ltd.	Other related parties (Note 2)
Dongsen Real Estate Co., Ltd.	Other related parties
Lu Hui Construction Co., Ltd.	Other related parties
Formosa Oilseed Processing Co., Ltd.	Other related parties
Liou Development Co., Ltd.	Other related parties
Jansen Industrial Co., Ltd.	Other related parties
Baoxing Marketing Management Consultant Co., Ltd.	Other related parties
Jinxin Trading Co., Ltd.	Other related parties
Financial Technology Co., Ltd.	Other related parties
Good pay Web Financial Technology Co., Ltd.	Other related parties
Eastern Universe Co., Ltd.	Other related parties
Dongsen Fashion Media Co., Ltd.	Other related parties
Chinese Non-Store Retailer Association	Other related parties
Taiwan Communication and Communication Industry Association	Other related parties
All Directors、Supervisors and The Group	Key management personnel general manager and vice personnel general

Note 1: Since November 14, 2017, due to disposal of Eastern Broadcasting Co., Ltd., it was not related party. Please refer to Note 6(5).

Note 2: Since April 1, 2017, due to merger of U life, it became a subsidiary of the Group. Please refer to Note 6(7).

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(2) Significant transactions with related parties

A. Sale of goods and services

a. The amounts of significant sales transactions between the Group and related parties were as follows:

		2017	2016
Associates	$	1,437	751
Key management personnel (juridical person director)		22,191	5,129
Other related parties		95,823	182,816
	$	**119,451**	**188,696**

The above revenues consist of program production revenue, project planning service revenue, accommodation and catering service revenue, and loading and storage revenue. Loading and storage fees were charged based on the rates published by the Taiwan Provincial Traffic Administration. The payment is usually made in cash, which is the same as for regular customers.

b. The amounts of interest revenue arising from the leasing between the Group and related parties were as follows

		2017	2016
Other related parties	**$**	**1,260**	**1,226**

Transaction terms for the above are the same as those for ordinary transactions.

B. Purchase of goods

The amounts of significant purchase transactions between the Group and related parties were as follows:

		2017	2016
Associates	$	3	591
Other related parties		488,083	360,142
	$	**488,086**	**360,733**

C. Receivables

Accounts	Related parties		2017.12.31	2016.12.31
Notes receivable	Liu Yuan Huan	$	13,169	-
Other notes receivable	Eastern Home Shopping & Leisure		-	114,286
Accounts receivable	Associates(Note1)		378	594
Accounts receivable	Key management		5,826	1,674
Accounts receivable	Other related parties		284	31,874
Other receivable	Associates		-	2,560
Other receivable	Key management		-	13

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Accounts	Related parties	2017.12.31	2016.12.31
Other receivable	Other related parties	280	7,555
Long-term notes receivable	Eastern Home Shopping & Leisure	-	40,658
		$ **19,937**	**199,214**

The above long-term notes receivable had an interest rate of 5%, and the interest received by the Group in 2017 and 2016 was $4,275 and $10,842, respectively.

D. Payables

Accounts	Related parties	2017.12.31	2016.12.31
Notes payable	Yuanfu International	$ 110,154	34,238
Notes payable	Dingfeng Communication	126,388	41,974
Notes payable	Key management	5,075	3,045
Accounts payable	Associates	-	306
Accounts payable	Other related parties	69,877	80,984
Other payable	Associates	-	6
Other payable	Dingfeng Communication	164,272	418,348
Other payable	Key management	147	3,541
Other payable	Other related parties	7,758	60,538
		$ 483,671	**642,980**

E. Prepayments and advance

Accounts	Related parties	2017.12.31	2016.12.31
Prepayment	Key management	$ -	288
Prepayment	Other related parties	-	880
		$ -	**1,168**
Advance	Other related parties	$ 142	162
Advance	Associates	-	39
		$ 142	**201**

F. Refundable deposits and guarantee deposits

Accounts	Related parties	2017.12.31	2016.12.31
Refundable deposits	Yuanfu International	$ 44,302	24,626
Refundable deposits	Dingfeng Communication	55,075	28,326
Refundable deposits	Other related parties	950	950
		$ 100,327	**53,902**
Guarantee deposits	Other related parties	**$ 1,700**	**1,000**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

H. Loans to Related Parties

The loans to related parties were as follows:

Related parties	2017.12.31	2016.12.31
Eastern Home Shopping & Leisure	$ -	450,000

The interest charged by the Group to its related parties is based on the average interest rate charged by financial institutions on the Group's borrowings. The Group acquired the real estate offered by its related parties as subordinated collateral for its loans. There were no provisions for doubtful accounts required after the management assessment. As of December 31, 2016, the Group's interest receivable amounted to $1,000. For the years ended December 31, 2017 and 2016, interest income from related parties amounted to $1,818 and $5,102, respectively.

I. Borrowings from related parties

As of December 31, 2017 and 2016, the Group borrowings from related parties both amounted to $0.

Interest which results from the unsecured borrowings by the Group from related parties would be calculated based on the average rates in the current year obtained from financial institutions. As of December 31, 2017 and 2016, the Group's interest payable to Jinxin Trading amounted to $69,973 and $0, respectively. For the years 2017 and 2016, interest expense to the related party amounted to $7,172 and $4,227, respectively.

J. Endorsement / Guarantee provided

For the years ended December 31, 2016 and 2017, the remuneration paid to related parties providing guarantees on the loans taken out by the Group amounted to $1,125 and $2,944 respectively.

K. Leases

(a) The Group rents out part of its office space and equipment to fulfill related parties' business requirements. Rental revenues for 2017 and 2016 amounted to $23,609 and $1,462 respectively. As of December 31, 2017 and 2016, the Group had received guarantee deposits for leases amounting to $510 and $4,830, respectively.

(b) The Group rents part of its office space and equipment from related parties to fulfill its business requirements. Rental expenses for 2017 and 2016 amounted to $11,650 and

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$40,290, respectively. As of December 31, 2017 and 2016, the Group had paid refundable deposits for leases amounting to $0 and $5,380, respectively.

H. Other

(a)

Channel and transmission services fees		2017	2016
Yuanfu International	$	827,929	522,033
Dingfeng Communication		715,504	581,601
Key management		26,100	19,575
	$	**1,569,533**	**1,123,209**

(b) For the years ended December 31, 2017 and 2016, the Group paid operating fees to associates, key management (juridical person director), and related parties to fulfill its business requirements amounting to $9,116 and $44,823, respectively.

(c) In order to follow its operating plan, the Group donated $2,000 and $0 to related parties in related industries in 2017 and 2016, respectively

(d) For the years ended December 31, 2017 and 2016, the Group paid system maintenance and consulting service fees to related parties amounting to $109,272 and $190,248, respectively.

(e) For the years ended December 31, 2017 and 2016, the Group received non-operating revenue from related parties amounting to $472 and $5,424, respectively.

(f) For the years ended December 31, 2017 and 2016, the Group obtained assets from other related parties amounting to $4,905 and $16,282, respectively, which had already been paid.

(g) For the years ended December 31, 2017 and 2016, the Group sold its assets to other related parties amounting to $57 and $4,082, and the loss on disposal amounted to $2 and $1,172, respectively.

(3) Key management personnel compensation:

	For the Years Ended December 31		
		2017	**2016**
Short-term employee benefits	**$**	**78,914**	**71,392**

(All Amounts Expressed in Thousands of New Taiwan Dollars)

8. PLEDGED ASSETS

As of December 31, 2017 and 2016, the pledged assets were as follows:

Asset	Purpose of pledge	2017.12.31	2016.12.31
Property, plant and equipment	Short-term and long-term loans	$ 2,164,266	1,006,458
Other financial assets－current- demand deposits	Interest from reserve account	80	77
Other financial assets－current- demand deposit	Letter of credit	11,216	-
Other financial assets－current- demand deposit	Other guaranteed loan	2,600	-
Other financial assets－current- demand deposit	Security for issuance of travel vouchers at travel fair	610	1,956
Other financial assets－current-time deposit in foreign	Security for subsidiaries' LC	-	77,400
Other financial assets－current- trust account.	Voucher trust	110	-
Refundable deposit － time deposit	Bid bonds, performance bonds and security deposits	123,071	119,691
Refundable deposit － demand deposit	Other guaranteed loan	-	2,600
Other financial assets－non-current- time deposit	Long-term compensating balance	-	14,225
Other financial assets－non current- time deposit	Security for issuance of travel vouchers at travel fair	-	2,199
Other financial assets－non current- time deposit	Corporate card guarantee	800	-
Other financial assets－non current- demand deposit	Voucher trust	233	-
Long-term prepaid rent	Long-term loan	-	479,714
Non-current assets classified as held for sale	Long-term loan	450,727	-
Investments accounted for using equity method	Long-term loan	208,931	592,961
		$ 2,962,644	**2,297,281**

Note: The investments accounted for using equity method for subsidiary's stocks have been written off in the preparation of consolidated financial statement.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(1) Major commitments were as follows:

A. Unused standby letters of credit

	2017.12.31	2016.12.31
Unused standby letters of credit	$ 56,811	-

B. Guarantee deposits for lease

	2017.12.31	2016.12.31
Guarantee deposits	$ 205,270	208,927

C. Unearned gift certificate revenue

	2017.12.31	2016.12.31
Unearned gift certificate revenue	$ 5,297	17,553

D. In September 2017, the Group signed a disposal contract with a non-related party for selling one of its subsidiary, EED (shanghai) for a consideration of $3,051,514. As of financial reporting date, the Group had received $600,208, recognized as unearned receipt.

(2) Contingent liabilities were as follows:

A. With regard to the fund investment in the amount of USD 12,525,000 in Carlyle Group withdrawn by the Company and then transferred to CTBC Bank, the Taipei District Court ruled that it be seized due to it having a connection with a criminal case concerning the ex-CEO of the Company. However, since the investment refund was owned by the Company, the Company filed a first and second appeal. According to case (97)-Kong-Geng-(Yi)-Zi-No. 4, the Taiwan High Court approved the application for refunding the fund investment, but the Taipei District Court refused to execute the refund. As a result, after retrial on August 27, 2012, the Taiwan High Court decided to dismiss the Company's application for refund according to case (101)-Sheng-Geng-(Yi)-Zi-No. 3. Therefore, the Company filed an appeal with the Supreme Court. However, the court rejected the appeal on January 28, 2013. Technically speaking, any case rejected by the Supreme Court cannot be submitted a second time. However, due to the fact that the case is not restricted to res judicata and according to case (97)-Tai-Geng-Zi No. 185 of the Taiwan High Court and case (97)-Kang-Geng-(Yi)-Zi-No. 4 of the High Court, the former ruling should be considered invalid. For this reason, on January 29, 2014, the Company requested the judge issue a constitutional interpretation in the hope that the Company might be given another chance to file a petition, but the request was rejected by the Judicial Yuan. The appeal was refiled with the Taiwan High Court, and was rejected again in the same year. Therefore, the case was returned to the Taipei District Court for further investigation. Both courts rejected the appeal. Thus, the Company filed an appeal to the Supreme Court on December 25, 2015, whereas it was declined by the court on March 28, 2016. In addition, the above investment refund has been recovered in October, 2013.

B. On October 27, 2008, the Securities and Futures Investors Protection Center (the SFIPC) filed a lawsuit to the Taipei District Court against the ex-chairman and the general manager of the Company, together with all the previous directors and supervisors, alleging the offense of gaining an illegal benefit for Chia Hsin and Synthetic Fiber Co., Ltd. as well as for the family members of the ex-chairman. The prosecution is based on the alleged ill-gotten assets from the Company by means of false commodity transactions and capital increment in the name of Eastern International Lease Finance Co., Ltd. and Tung Kai Lease Finance Co., Ltd. (both are subsidiaries of the Company). The SFIPC also demanded the compensation of $41,038. The Taipei District Court ruled that the Company violated the Commercial Company Act. However, both the ex-chairman and the general manager were acquitted, and not only did the Company did not bear any losses from the said transaction above, but on the contrary, it gained a profit amounting to $6,894, plus an additional 5% interest arising from the delayed payment amounting to $6,884 with a total amount of $13,778. In other words, the transaction did not do any damage to the Company and its shareholders. As a result, the appeal filed against the Company was denied by the Taipei District Court on December 5, 2012. However, the SFIPC was not satisfied with the decision made by the court. Therefore, it filed another appeal, this time with the Taiwan High Court, demanding compensation amounting to $22,664. The appeal was denied on December 3, 2013. Nevertheless, the SFIPC filed an appeal once more with the Taiwan High Court on December 24, 2013. The case was transferred from the Supreme Court to the High Court on April 23, 2015, for further investigation. On May 10, 2017, the Taiwan High Court ruled against SFIPC. Therefore, SFIPC filed an appeal to the Supreme Court on June 6, 2017. The case is still in progress.

C. On March 10, 1998, the Company entered into a lease agreement with an affiliated company of Taiwan International Ports Corp., Port of Keelung (PK), to provide management fee to PK for its coal shipping business, and to pay the rental for leasing pier no. 31 and 32. However, in the subsequent period, PK requested for an extra payment of NTD28.26 per ton in addition to its management fee, wherein the Company complied for a number of years but deemed unreasonable. Therefore, the Company filed several lawsuits against PK, demanding PK to return all the additional fees it paid during the period from January 1, 1999 to September 30, 2004 which amounted to $123,515, plus interest. On September 15, 1999, the Supreme Court ruled in favor of the Company, with ruling no. 1618. Therefore, PK paid back the total amount of $168,233, including the management fee, the interest of $40,385 (calculated on the basis of 5% per annum), plus the litigation fee amounting to $4,333. However, PK appealed to the Supreme Court against the Company. On January 28, 2010, the Supreme Court decided to nullify its former decision, with ruling no. 8, and handed this case over to the Taiwan High Court, who ruled in favor of the Company on February 24, 2012. However, PK did not agree with the decision made by the Taiwan High Court; therefore, it appealed to the Supreme Court, which handed this case over to the Taiwan High Court. After the third instance, the Taiwan High Court ruled in favor of the Company. Hence, PK filed an appeal to the Supreme Court, which handed the case over to the Taiwan High Court. On February 24, 2016, the Taiwan High Court ruled in favor with PK for the fourth instance. Therefore, the Company appealed to the Supreme Court; however, the appeal was denied by the Supreme Court on November 15, 2017.

In light of the previous decision made by the Keelung High Court on September 15, 2009, wherein PK has to pay the damage of $123,515 to the Company, an amount of $50,472 had been added by the Keelung High Court on October 29, 2009 as payment for management fee between October 1, 2004 and February 19, 2008. On October 29, 2009, the Supreme Court ruled in favor of PK. However, in order to protect the Company and its shareholders' rights, the Company appealed to the Supreme Court again on November 22, 2016, then afterwards on September 1, 2017, wherein both instances were denied on August 3, 2017 and December 27, 2017, respectively, with the latter date where the Supreme Court has made its final decision to dismissed the whole case. The Company did not incur any liabilities on the matter mentioned above.

D. The Company established a legal affair department and hired external counselors to handle its legal affairs. As of December 31, 2017 and 2016, all unsettled lawsuits had no impact on its financial and business operation.

E. SFIPC demanded EHS to compensate for the damage and violation of its rights in buying and selling the shares of Dongsen Multimedia Technology Co., Ltd (DMT) in 2006. This lawsuit, however, was later on brought to the Taiwan High Court, wherein EHS had partially lost the case, resulting in compensation loss of $19,456 in the same year. Hence, in order to avoid provisional execution, EHS applied to the Taipei District Court for a guarantee deposit with the same amount mentioned above, recognized as refundable deposit. EHS then appealed to the Supreme Court regarding this case; and in August 2015, the Supreme Court partly decided the compensation amounted to $13,989. Whereas another part of the case handed over to the Taiwan High Court for further decision. As of the reporting date, those said cases were still in progress.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS:

A. According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future.

B. For long-term operation development, the Group acquired 30% shares of Dongsen Modern Korean Media Co., Ltd. for $48,600, after the approval from the board of directors on January 18, 2018. As of the date of the audit report, the delivery has not been completed.

C. The Group's subsidiary, EHS, acquired 76% shares of Strawberry Cosmetics Holding Limited (BVI) for $1,060,200, after the approval from the board of directors on January 15, 2018. As of the date of the audit report, the delivery has not been completed.

12. OTHERS

The employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

Categorized by nature	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	$ 619,674	1,368,137	1,987,811	486,297	983,942	1,470,239
Health and labor insurance	38,637	110,566	149,203	35,738	71,201	106,939
Pension	20,716	74,354	94,530	19,134	56,046	75,180
Others	31,549	67,677	99,226	43,696	46,937	90,633
Depreciation	163,070	133,205	296,275	76,077	174,499	250,576
Amortization	21,417	96,728	118,145	27,573	28,687	56,260

(All Amounts Expressed in Thousands of New Taiwan Dollars)

13 ADDITIONAL DISCLOSURES

(1) Information on significant transactions

The following is the information on significant transactions required by the *Regulations Governing the Preparation of Financial Reports by Securities Issuers* for the Group for the year ended December 31, 2017.

A. Financing provided to others:

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance during the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
												Item	Value		
0	The Company	Eastern Integrated Marketing Co., Ltd. (EIM)	Other receivables — related party	Yes	$ 100,000	50,000	-	5	2	Operation requirements	-		-	2,820,823 (Note 2)	4,231,234 (Note2)
0	〃	ETtoday	〃	Yes	50,000	50,000	-	5	2	〃	-		-	2,820,823 (Note 2)	4,231,234 (Note 2)
0	〃	Eastern Hotels & Resorts	〃	Yes	600,000	600,000	450,000	3	2	〃	-		-	2,820,823 (Note 2)	4,231,234 (Note 2)
1	EIC	Eastern Hotels & Resorts	〃	Yes	200,000	200,000	200,000	3	2	〃	-		-	281,070 (Note 3)	421,605 (Note 3)
1	〃	ETtoday	〃	Yes	50,000	-	-	-	2	〃	-		-	281,070 (Note 3)	421,605 (Note 3)
2	TKLF	Eastern Hotels & Resorts	〃	Yes	160,000	-	-	-	2	〃	-		-	276,392 (Note 4)	414,587 (Note 4)
2	〃	Eastern Integrated Marketing Co., Ltd. (EIM)	〃	Yes	50,000	-	-	-	2	〃	-		-	276,392 (Note 4)	414,587 (Note 4)
2	〃	Hong Yuan Environmental Technology Inc.	Other receivables	No	18,000	18,000	18,000	8	2	〃	-	Alishan House's share	18,560	34,549 (Note 4)	414,587 (Note 4)

(All Amounts Expressed in Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance during the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
												Item	Value		
2	TKLF	Cheng Kuang Resource Exploration Co., Ltd.	Other receivables	No	35,000	35,000	35,000	8	2	Operation requirements	-	Tucheng land mortgage , Alishan House's share	52,000	34,549 (Note 4)	414,587 (Note 4)
2	〃	Citiraya Technology Inc.	〃	No	35,000	35,000	35,000	8	2	〃	-	and Chungli land mortgage	65,000	34,549 (Note 4)	414,587 (Note 4)
3	EILF	Eastern Hotels & Resorts	Other receivables — related party	Yes	130,000	-	-	-	2	〃	-		-	264,602 (Note 5)	396,903 (Note 5)
3	〃	Eastern Integrated Marketing Co., Ltd. (EIM)	〃	Yes	50,000	50,000	10,000	5	2	〃	-		-	264,602 (Note 5)	396,903 (Note 5)
3	〃	Cheng Kuang Resource Exploration Co., Ltd.	Other receivables	No	22,000	22,000	22,000	8	2	〃	-	Alishan House's share	22,980	33,075 (Note 5)	396,903 (Note 5)
3	〃	Citiraya Technology Inc.	〃	No	35,000	34,000	34,000	8	2	〃	-		35,360	33,075 (Note 5)	396,903 (Note 5)
3	〃	Hong Yuan Environmental Technology Inc.	〃	No	35,000	34,000	34,000	8	2	〃	-	〃	35,360	33,075 (Note 5)	396,903 (Note 5)
4	U Life	Eastern Home Shopping & Leisure Co., Ltd.	Other receivables — related party	Yes	450,000	-	-	-	-	〃	-	〃	-	- (Note 6)	- (Note 6)
5	Fess-Bermuda	Fess-Panama Technology Inc.	〃	Yes	59,420	-	-	-	2	〃	-		-	228,055 (Note 7)	456,110 (Note 7)

Note 1: Lending of capital has the following two types:
(1) Those with business dealings.
(2) The necessity for short-term financing.

Note 2: The Company's total amount available for lending shall not exceed 60% of its net worth. For subsidiaries where the Company holds more than 50% of the shares, the individual amount available for lending shall not exceed 40% of its net worth in the most recent financial statements.

Note 3: For EIC, the aggregate amount available for lending shall not exceed 60% of its net worth in the most recent financial statements. The individual amount available for lending to its parent company, subsidiaries or to its parent company's subsidiary company shall not exceed 40% of its net worth in the most recent financial statements.

Note 4: For TKLF, the aggregate amount available for lending shall not exceed 60% of its net worth in the most recent financial statements. The individual amount available for lending to its parent company or to its parent company's subsidiary company shall not exceed 40% of its net worth in the most recent financial statements. The individual amount available for lending to other companies' short-term financing facility, if necessary, shall not exceed 5% of its net worth in the most recent financial statements.

Note 5: For EILF, the aggregate amount available for lending shall not exceed 60% of its net worth in the most recent financial statements. The individual amount available for lending to its parent company or to its parent company's subsidiary company shall not exceed 40% of its net worth in the most recent financial statements. The individual amount available for lending to other companies' short-term financing facility, if necessary, shall not exceed 5% of its net worth in the most recent financial statements.

Note 6: U Life had merged with EHS on April 1, 2017, and there became no financing lending after merger.

Note 7: For Fess-Bermuda, the aggregate amount available for lending shall not exceed 200% of its net worth in the most recent financial statements. The individual amount available for lending short-term financing facility, if necessary, to its parent company's subsidiaries (which are not registered in Taiwan), shall not exceed 100% of its net worth in the most recent financial statements.

Note 8: Due to the change of circumstances, balances of capital lending regarding to TKLF and EILF exceeded the limit; an improvement plan had been made, which will be completed according to planned schedules afterwards.

Note 9: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

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EASTERN MEDIA INTERNATIONAL CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
(All Amounts Expressed in Thousands of New Taiwan Dollars)

B. Endorsements/Guarantees provided:

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed during the Period	Ending Balance	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Amount to Net Worth in Most Recent Financial Statements	Aggregate Endorsement/ Guarantee Limit	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiary in Mainland China
	Name	Name	Relationship (Note 1)										
0	The Company	EED (Shanghai)	2	$ 28,208,224 (Note2)	182,000	-	-	-	- %	$ 28,208,224 (Note2)	Y	N	Y
0	〃	ETtoday	2	28,208,224 (Note2)	13,000	13,000	1,624	-	0.18%	28,208,224 (Note2)	Y	N	N
0	〃	Eastern Hotels & Resorts	2	28,208,224 (Note2)	800,000	800,000	-	208,931	11.34%	28,208,224 (Note2)	Y	N	N
1	FESS-Bermuda	EED (Shanghai)	3	684,461 (Note3)	367,200	-	-	-	- %	684,461 (Note 3)	N	N	Y
2	U Life	Eastern Home Shopping & Leisure Co., Ltd.	1	-	300,000	-	-	-	- %	-	N	N	N
3	Eastern Home Shopping & Leisure Co., Ltd.	Shopent Homeshopping Co., Ltd	2	3,187,762 (Note 5)	230,000	230,000	-	-	14.55%	19,126,569 (Note 5)	N	N	N

Note 1: The relationship between the one providing endorsements/guarantees and the one receiving endorsements/guarantees is classified into three types:

1. Parent company to subsidiary.
2. Direct or indirect subsidiary.
3. Subsidiary to parent company.
4. The inter-company business transaction

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Note 2: The Company's aggregate amount allows endorsement or guarantee that does not exceed 400% of its net worth in the most recent financial statements. The individual amount allows endorsement or guarantee to subsidiaries where the Group holds more than 50% of the shares that does not exceed 400% of its net worth in the most recent financial statements.

Note 3: For FESS-Bermuda, the aggregate amount allows endorsement or guarantee that does not exceed 300% of its net worth in the most recent financial statements. The individual amount allows endorsement or guarantee to subsidiaries where the Group holds more than 50% of the shares or to its parent company that does not exceed 300% of its net worth in the most recent financial statements.

Note 4: U Life had merged with EHS on April 1, 2017, and there became no endorsement or guarantee provided afterwards.

Note 5: For EHS, the aggregate amount allows an endorsement or guarantee that does not exceed 300% of its net worth in the most recent financial statements. The individual amount allows an endorsement or guarantee to inter-company business transaction that does not exceed 50% of its net worth in the most recent financial statements.

C. Information regarding marketable securities held on December 31, 2017:

Name of Holding Company	Type and Name of Marketable Security	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2017				Highest Holding Percentage
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
The Company	China Development Financial Holdings	-	Financial assets at fair value through profit or loss	1	$ -	- %	-	- %
〃	Chunghwa Telecom Co., Ltd.	-	〃	100,000	10,600	- %	10,600	- %
〃	Formasa Petrochemical Co., Ltd.	-	〃	2,558,000	252,475	0.03 %	252,475	0.05 %
〃	Taiwan Cement Co., Ltd.T	-	〃	2,000,000	72,900	0.05 %	72,900	0.14 %
〃	Phoenix New Media Co., Ltd.	-	〃	2,000	8	- %	8	- %
〃	Kaohsiung Harbor Stevedoring Co., Ltd.	-	Financial assets carried at cost －non-current	750,000	7,500	15.00%	7,500	15.00%
〃	Want Want Broadband Co., Ltd.	-	〃	3,571,750	35,718	10.21%	35,718	10.21%
〃	Leo Exploitation Co., Ltd.	-	〃	165,663	-	11.43%	-	11.43%
FESS-Panama	Skyasia Media Inc.	-	〃	2,400,000	USD 497	12.00%	USD 497	12.00%

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Name of Holding Company	Type and Name of Marketable Security	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2017				Highest Holding Percentage
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
MWT	Sunny Bank	-	Financial assets carried at cost －non-current	52,500	500	- %	500	- %
EHS	Dongsen Direct Co., Ltd.	-	〃	1,000	10	10.00%	10	10.00%
〃	Eastern Universe Co., Ltd.	-	〃	100,000	1,000	3.33%	1,000	3.33%
〃	Eastern Media International Co., Ltd.	-	Non-current available-for-sale financial assets	4,937	53	- %	53	- %

Note: Except for the financial assets at fair value through profit or loss, the aforementioned marketable securities are accounted for as non-listed stock whose fair value cannot be observed in the market. Therefore, the fair value of those securities is based on its cost or its net worth multiplied by the holding percentage.

D. Information regarding marketable securities when the accumulative purchase or sale for the period exceeds $300,000 or 20% of paid-in capital:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount (Note 1)	Shares (Note 2)	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount (Note1)
The Company	Eastern Integrated Marketing Co., Ltd. (EIM)	Investments accounted for using equity method	Eastern Integrated Marketing Co., Ltd. (EIM)	Subsidiaries	-	$ -	30,000,001	300,000	-	-	-	-	30,000,001	5,549
〃	Formisa Plastics Co., Ltd.	Financial assets at fair value through profit or loss	-	-	-	-	4,632,000	454,809	2,074,000	213,452	213,452	-	2,558,000	252,475
〃	FESS-Panama	Investments accounted for using equity method	FESS-Panama	Subsidiaries	45,000	1,400,256	22,000	674,710	-	-	-	-	67,000	1,215,684
〃	Eastern Hotels & Resorts	〃	Eastern Hotels & Resorts	〃	42,287,140	(225,547)	12,072,860 (Note 3)	543,600	-	-	-	-	54,360,000	208,931
〃	Eastern Broadcasting Co., Ltd	〃	ProMOS International Investment Co., Ltd	-	24,042,974	592,961	-	-	24,042,974	3,766,400	558,922	3,052,750	-	-

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Note 1: Including Net loss (gain) on Investments accounted for using equity method and related adjustments to shareholders' equity.

Note 2: The number of shares purchased in this period was due to capital increase by cash

Note 3: A capital reduction of 42,287,140 shares had been included.

E. Information on the acquisition of real estate exceeding $300,000 or 20% of paid-in capital: None.

F. Information on the disposal of real estate exceeding $300,000 or 20% of paid-in capital: None.

G. Information regarding related-party purchase and sale transactions exceeding $100,000 or 20% of paid-in capital:

Name of Company	Counter-party	Relationship	Transaction Details				Non-arm's-length Transaction		Notes/Accounts Receivable		Notes
			Purchase/ (Sale)	Amount	Percentage of Total Purchases/Sales	Credit Period	Unit Price	Credit Period	Ending Balance	Percentage of Total Notes/Accounts Receivable	
EHS	BauHsing Marketing Co., Ltd.	Related party in substance	Purchase	$ 280,360	4.13%	Payment under contract conditions	-		(56,314)	3.80%	
〃	Liu Yuan Huan	〃	〃	160,346	2.36%	〃	-		(12,607)	0.85%	

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock:

Name of company	Related party	Nature of relationship	Ending balance	Turnover days	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
EMI	Eastern Hotels & Resorts	Subsidiary	$ 450,000	NO	-		-	-
EIC	〃	Parent company subsidiary	200,000	〃	-		-	-

I. Trading in derivative instruments:

Please refer to Note 6(2) for the details.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

J. Business relationships and significant intercompany transactions:

Number (Note 1)	Name of Company	Name of Counter-party	Nature of Relationship (Note 2)	Transaction Details during 2016			
				Financial Statement Account	Amount	Terms of Transaction	Percentage of the Total Consolidated Revenue or Total Assets
0	EMI	FESS-Panama	1	Other receivables due from related parties	$ 99,784	Refer to market price	0.07 %
0	〃	Eastern Hotels & Resorts	1	〃	450,443	〃	3.00 %
3	EIC	〃	3	〃	200,164	〃	1.34 %
2	FESS-Panama	EMI	2	Other payables	99,784	〃	0.07 %
1	Eastern Hotels & Resorts	〃	2	〃	450,443	〃	3.00 %
1	〃	EIC	3	〃	200,164	〃	1.34 %

Note 1: For the inter-company business relationship and transaction condition in the "Number" column, the labeling method is as follows:

1. Parent company - 0.
2. Subsidiaries - in sequence from 1.

Note 2: Relationship is classified into three types:

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(2) Information on investees:

For the year ended December 31, 2017, the information on investees is as follows:

Name of Investor	Name of Investee	Location	Major Operations	Initial Investment Amount December 31, 2017	Initial Investment Amount December 31, 2016	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Amount	Highest Holding Percentage	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
The Company	FESS-Bermuda	Bermuda	Holding company	$ 43,391	133,301	1,000,000	100.00%	228,055	100.00%	1,571	1,571	Subsidiary
〃	FESS-Panama	Panama	Shipping and leasing service	2,098,350	1,423,640	67,000	100.00%	1,215,684	100.00%	(814,600)	(814,600)	〃
〃	Grand Richness Hong Kong	Hong Kong	Holding company	672,603	672,603	16,214,616	100.00%	15,250	100.00%	(14,092)	(14,092)	〃
〃	EIC	Taipei	Investing	500,525	500,525	67,641,445	97.90%	677,305	97.90%	34,689	33,961	〃
〃	EILF	Taipei	Leasing	391,195	391,195	40,690,330	53.77%	370,309	53.77%	(25,645)	(13,789)	〃
〃	TKLF	Taipei	Leasing	391,613	391,613	40,847,294	53.76%	383,192	53.76%	(10,606)	(5,703)	〃
〃	MWT	Taipei	Application Service	35,400	-	510,000	51.00%	35,659	51.00%	575	259	〃
〃	U Life	Taipei	Home shopping, online shopping	-	75,000	-	-%	-	14.59%	20,285	2,960	〃
〃	EHS	Taipei	Department stores, supermarkets, online stores	81,978	-	6,637,500	6.51%	102,928	6.51%	374,323	21,266	〃
〃	Eastern Entertainment	Taipei	Hotel, recreation service	-	789,825	-	-%	-	100.00%	(14,454)	(14,454)	〃
〃	ETtoday	Taipei	Advertising, online newspaper	281,697	191,697	28,169,741	93.90%	102,204	95.85%	(48,945)	(46,217)	〃
〃	EBC	Taipei	Domestic and international TV program planning	-	325,632	-	-%	-	21.32%	813,250	173,399	Investee accounted for using equity method
〃	EHR	Taipei	Hotel, recreation service	543,600	465,165	54,360,000	60.40%	208,931	60.41%	(180,729)	(109,171)	Subsidiary

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(All Amounts Expressed in Thousands of New Taiwan Dollars)

Name of Investor	Name of Investee	Location	Major Operations	Initial Investment Amount		Ending Balance			Highest Holding Percentage	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Amount				
The Company	EIM	Taipei	Agency service	300,000	-	30,000,001	100.00%	5,549	100.00%	(193,328)	(110,700)	Subsidiary
EIC	ETtoday	Taipei	Advertising, online newspaper	3,303	3,303	330,259	1.10%	(394)	1.65%	(48,945)	(612)	〃
〃	U Life	Taipei	Home shopping, online shopping	-	222,900	-	-%	-	43.37%	20,285	8,797	〃
〃	EHS	Taipei	Department stores, supermarkets, online stores	243,794	-	19,726,660	19.36%	306,135	19.36%	374,323	63,244	〃
〃	EIM	Taipei	Agency service	-	57,000	-	-%	-	19.00%	(193,328)	(15,699)	〃
	TKLF	Taipei	Leasing	77,115	77,115	7,597,500	10.00%	69,098	10.00%	(10,606)	(1,061)	〃
〃	EILF	Taipei	Leasing	74,464	74,464	7,567,500	10.00%	66,151	10.00%	(25,645)	(2,564)	〃
〃	EHR	Taipei	Hotel, recreation service	118,800	-	11,880,000	13.20%	45,660	13.20%	(180,729)	(10,458)	〃
TKLF	EILF	Taipei	Leasing	269,766	269,766	27,243,000	36.00%	235,714	36.00%	(25,645)	(9,232)	〃
〃	EIM	Taipei	Agency service	-	33,000	-	-%	-	11.00%	(193,328)	(9,089)	〃
〃	EHR	Taipei	Department stores, supermarkets, online stores	118,800	-	11,880,000	13.20%	456,611	13.20%	(180,729)	(10,457)	〃
EILF	TKLF	Taipei	Leasing	278,342	278,342	27,351,000	36.00%	248,139	36.00%	(10,606)	(3,818)	〃
EILF	EHR	Taipei	Hotel, recreation service	118,800	-	11,880,000	13.20%	45,660	13.20%	(180,729)	(10,458)	〃
U Life	D'Amour SPA	Taipei	Cosmetics, spa	-	7,500	-	-%	-	30.00%	(4,645)	(1,127)	Investee accounted for using equity method
〃	eDynamics	Taipei	Department stores, supermarkets, online stores	-	2,500	-	-%	-	50.00%	204	(41)	Subsidiary
EHS	D'Amour SPA	Taipei	Cosmetics, spa	17,500	-	1,750,000	70.00%	6,561	70.00%	(4,645)	(5,771)	〃

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Name of Investor	Name of Investee	Location	Major Operations	Initial Investment Amount December 31, 2017	Initial Investment Amount December 31, 2016	Ending Balance Shares	Ending Balance Percentage of Ownership	Ending Balance Carrying Amount	Highest Holding Percentage	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
EHS	eDynamics	Taipei	Department stores, supermarkets, online stores	5,000	-	500,000	100.00%	4,919	100.00%	5	5	Subsidiary
〃	Assuran	Taipei	Cleaning supplies	12,000	-	1,200,000	60.00%	11,139	60.00%	(1,436)	(861)	〃
〃	Insbro	Hong Kong	Investing activities	-	-	-	-%	-	100.00%	(505)	(478)	〃
FESS-Panama	GEHS-Cayman	Cayman Islands	Holding company	USD 35,288	USD 35,288	3,940,000	100.00%	USD (78)	100.00%	USD (49)	USD (49)	〃
〃	GSMC-Cayman	Cayman Islands	Holding company	USD 4,500	USD 4,500	450,000	100.00%	USD 3,884	100.00%	USD -	USD -	〃
〃	Eastern Communication Hong Kong	Hong Kong	Holding company	USD 10	USD 10	28,569,840	100.00%	USD (5,057)	100.00%	USD 11	USD 11	〃
GSMC-Cayman	Sen Want (Hong Kong)	Hong Kong	Holding company	USD 4,100	USD 4,100	3,198,000	100.00%	USD 3,122	100.00%	USD 12	USD 12	〃

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(3) Information on investment in Mainland China:

A. Information on investment in Mainland China:

Name of Investee in Mainland China	Major Operations	Issued Capital	Method of Investment	Accumulative Outward Remittance for Investment from Taiwan as of January 1, 2017	Remittance of Funds		Accumulative Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of Investee	Percentage Ownership of Direct or Indirect Investment	Highest Holding Percentage	Investment Gain (Loss) (Note 1)	Carrying Value as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward							
EED (Shanghai)	Transporting and packing service	$ 953,320	Note 2	883,872	89,280	-	973,152	(67,894)	100.00%	100.00%	(50,421)	1,135,963	-
Ding Kai (Shanghai)	Wholesale, retail	430,032	Note 3	365,378	-	-	365,378	(27,537)	84.97%	84.97%	(23,397)	(24,199)	-
Sheng Hang (Shanghai)	Wholesale, retail	194,557	Note 4	194,557	-	-	194,557	939	100.00%	100.00%	939	15,910	-
Xiang Fu (Shanghai)	Wholesale, retail	1,142,150	Note 5	1,142,150	-	-	1,142,150	(257)	100.00%	100.00%	(257)	(87,036)	-
Nanjing Yun Fu	Wholesale, retail	90,435	Note 6	90,435	-	-	90,435	133	100.00%	100.00%	133	60,038	-
Jiangsu Sen Fu Da	Cultural industries	45,544	Note 7	15,485	-	-	15,485	-	34.00%	34.00%	-	6,312	-
Shanghai Rich	Producing TV programs, wholesale	45,544	Note 8	48,173	-	-	48,173	5	100.00%	100.00%	5	(557,887)	-

Note 1: The investment gain (loss) was recognized based on the investees' audited financial statements.

Note 2: The Group indirectly made the investment through FESS-Panama, and the investment was approved by the Investment Commission, MOEA, with approval No. 094026346 in November 2005.

Note 3: The Group indirectly made the investment through Grand Richness Hong Kong, and the investment was approved by the Investment Commission, MOEA, with approval No. 09800019060 on January 22, 2009.

Note 4: The Group indirectly invested through Grand Richness Hong Kong, and the investment was approved by the Investment Commission, MOEA, with approval No. 09800019070 on January 22, 2009.

Note 5: The Group indirectly invested through FESS-Panama, and the investment was approved by the Investment Commission, MOEA, with approval No. 09800109460 and 09800361890 on April 23, 2009, and October 14, 2009, respectively.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

Note 6: The Group indirectly invested through FESS-Panama, and the investment was approved by the Investment Commission, MOEA, with approval No. 09900239800 on June 30, 2010.

Note 7: The Group indirectly invested t through Nangjing Ji Cheng on August 30, 2012.

Note 8: The Group indirectly invested through Xiang Fu (Shanghai) on March 16, 2015.

Note 9: The amount in the table is translated by the spot rate on the financial reporting date and the average rate throughout the year.

B. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$2,765,673	3,986,554	4,231,234 (Note)

Note: The upper limit on investment was the greater of 60% of the individual or consolidated total net worth.

C. Significant transactions: For the Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial statements) with investee companies in Mainland China for the year ended December 31, 2017, please refer to "Information on significant transactions" above.

14 SEGMENT INFORMATION

(1) General Information

The Group's reportable segments are warehousing, shipping, trading, construction, media, and tourism. The warehousing segment operates a cargo storage business; the shipping segment operates a cargo delivery and ship leasing business; the trading segment operates a retail business; the media segment operates a channel agency and advertising business; the tourism segment operates a hotel and catering business.

(2) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliation

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, excluding any extraordinary activity and foreign exchange gain or losses, because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

Except for the recognition and measurement of pension cost, which is on a cash basis, there was no material inconsistency between the accounting policies of the operating segments and the accounting policies described in Note 4. The intercompany transaction price was the same as that with other customers, and the price was based on the market value.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

The Group's operating segment information and reconciliation are as follows:

For the Year Ended December 31, 2017		Warehousing	Shipping	Trading	Media	Tourism	Others	Reconciliation and elimination	Total
Revenue									
Revenue from external customers	$	1,165,571	635,948	11,383,175	493,500	106,215	426,248	-	14,210,657
Interest revenue		-	2,333	8,696	79	420	20,504	-	32,032
Total revenue	**$**	**1,165,571**	**638,281**	**11,391,871**	**493,579**	**106,635**	**446,752**	**-**	**14,242,689**
Interest expense	$	-	-	49,857	886	24,351	41,515	-	116,609
Depreciation and amortization		88,904	322	157,271	17,348	71,469	79,106	-	414,420
Share of profit of associates and joint ventures accounted for using equity method		-	-	-	172,272	-	-	-	172,272
Other material non-cash items									
Impairment of assets		-	-	-	-	5,996	8,876	-	14,872
Reportable segment profit or loss	**$**	**417,535**	**(413,726)**	**267,954**	**(95,147)**	**(238,687)**	**2,736,055**	**-**	**2,673,984**

For the Year Ended December 31, 2016		Warehousing	Shipping	Trading	Media	Tourism	Others	Reconciliation and elimination	Total
Revenue									
Revenue from external customers	$	1,128,197	502,485	7,178,325	374,557	260,058	1,089,563	-	10,533,185
Interest revenue		-	-	27,456	13	23	4,387	-	31,879
Total revenue	**$**	**1,128,197**	**502,485**	**7,205,781**	**374,570**	**260,081**	**1,093,950**	**-**	**10,565,064**
Interest expense	$	-	-	23,937	378	24,099	331,274	-	379,688
Depreciation and amortization		68,724	258	52,911	10,524	71,914	102,505	-	306,836
Share of profit of associates and joint ventures accounted for using equity method		-	-	-	238,160	-	-	-	238,160
Other material non-cash items									
Impairment of assets		678	-	-	-	50,616	-	-	51,294
Reportable segment profit or loss	**$**	**367,548**	**(361,333)**	**27,481**	**(81,996)**	**(36,860)**	**127,617**	**-**	**42,457**

Information on the Group's reportable segment assets and liabilities were not provided to the chief operating decision maker, so the related information is not disclosed.

(All Amounts Expressed in Thousands of New Taiwan Dollars)

(3) Information about products and services

Information on the Group's reportable segments is classified by different products and services, and the relevant information is disclosed in the revenue from external customers. Therefore, the Group would not make any additional disclosure regarding the revenue from external customers by products and services.

(4) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

A. External revenue

Region		2017	2016
Taiwan	$	13,235,987	9,432,569
China		338,722	600,668
Brazil		259,642	147,025
Australia		108,555	77,872
Indonesia		62,279	58,119
Others		205,472	216,932
Total	**$**	**14,210,657**	**10,533,185**

B. Non-current assets

Taiwan	$	6,089,848	1,430,438
China		42,576	1,105,575
Total	**$**	**6,132,424**	**2,536,013**

Non-current assets include property, plant and equipment, investment property, intangible assets, and other non-current assets, excluding financial instruments, deferred tax assets and pension fund assets.

(5) Information about major customers

The Group does not concentrate on a single customer; therefore, there is no need to disclose any information.