

Stock Code : 6111



# **SOFTSTAR ENTERTAINMENT INC.**

## **Handbook for the 2019 Annual Meeting of Shareholders**

Meeting Time : Monday, June 10, 2019, 9:00 AM

Place : 1 Hsin-Yi Rd., Sec.5, Taipei, Room 103 (Taipei International Convention Center)

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***SOFTSTAR ENTERTAINMENT INC.***

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**SOFTSTAR ENTERTAINMENT INC.**  
**Procedure for the 2019 Annual Meeting of Shareholders**

- I. Call the meeting to order
- II. Chairperson remarks
- III. Report Items
- IV. Proposals
- V. Discussion
- VI. Questions and motions
- VII. Meeting Adjourned

**SOFTSTAR ENTERTAINMENT INC.**  
**2019 Annual Shareholders Meeting Agenda**

Time: Monday, June 10, 2019, 9:00 AM

Place: 1 Hsin-Yi Rd., Sec.5, Taipei, Room 103 (Taipei International Convention Center)

- I. Call the meeting to order
- II. Chairperson remarks
- III. Report Items:
  - (I) 2018 Business Report.
  - (II) Audit Committee's Review Report on the 2018 Financial Statements.
  - (III) Report on conducting of private placement of securities.
  - (IV) To report 2018 employees' profit sharing bonus and Directors' compensation.
- IV. Proposals:
  - (I) Adoption of the 2018 Business Report and Financial Statements.
  - (II) Adoption of the Proposal for Distribution of 2018 Profits.
- V. Discussion:
  - (I) Proposal of Release the Prohibition on Directors and Representative from Participation in Competitive Business.
  - (II) Proposal for a cash offering by private placement.
  - (III) Amendment to the "Operational procedures for Acquisition and Disposal of Assets".
- VI. Questions and motions
- VII. Meeting adjourned

## Report Items

Report 1: 2018 Business Report.

Explanation: Please refer to page 10-13 of this agenda (Attachment I).

Report 2: Audit Committee's Review Report on the 2018 Financial Statements.

Explanation: Please refer to page 14 of this agenda (Attachment II).

Report 3: Report on conducting of private placement of securities.

Explanation: On June 29, 2018, The Shareholders Meeting of the Company passed a resolution on the private placement of ordinary shares, with a denomination of NT\$10 per share and no more than 10 million shares. According to the resolution, the time limit for private placement should be completed in one year after the resolution of the shareholders meeting.

The case will expire on June 29, 2019, and will not be processed after the resolution of the Board of Directors on March 19, 2019.

Report 4: To report 2018 employees' profit sharing bonus and Directors' compensation.

Explanation:

- I. In accordance with the Articles of Incorporation, if the Company makes a profit in the year, at least 3% of the profit shall be allocated for employee compensations and no more than 3% shall be allocated for compensations of the Directors. But the Company shall reserve a portion of profit to make up for accumulated losses (including adjusted unallocated earnings from previous years), if any.
- II. According to the Company's Articles of Incorporation and the Company's 2018 annual profitability, the Company's Remuneration Committee and the Board of Directors approved to distribute 2018 employees' compensation of NT\$6,579,781 in cash and Directors' compensation of NT\$1,315,956 in cash.

## Proposals

Proposal 1: Adoption of the 2018 Business Report and Financial Statements.

(Proposed by the Board of Directors)

Explanation:

- I. The Company's 2018 parent company only financial statements and consolidated financial statements were audited by CPAs Yu Chien-Ju and Yang Chih-Huei of Ernst & Young Taiwan. The Company's 2018 annual business report was approved by the Audit Committee and the Board of Directors, and a review report has been issued by the Audit Committee.
- II. Please refer to page 10-13 (Attachment I) and 15-33 (Attachment III) of the agenda for the above mentioned statements and reports.
- III. Please recognize.

Resolution:

Proposal 2: Adoption of the Proposal for Distribution of 2018 Profits.

(Proposed by the Board of Directors)

Explanation:

- I. For the year ended December 31, 2018 earnings distribution proposal is proposed as follows:

SOFTSTAR ENTERTAINMENT INC.

Earnings Distribution proposal

For the year ended December 31,2018

Unit:NT\$

Unappropriated Retained Earnings of Previous years		0
Plus (less):		
Effect of retrospective application and retrospective restatement	41,327,895	
Remeasurement of defined benefit Obligation	(2,585,557)	
Net income of 2018	87,823,084	
Earnings available for distribution		126,565,422
Less:		
Legal reserve	(12,656,542)	
Special reserve	(113,908,880)	
Unappropriated Retained Earnings		0

Chairman: Tu Chun-Kuang

President: Tsay Ming-Hong

Chief Accountant: Hsieh Ping-Hui

- II. Proposed not to distribute dividend for 2018.

- III. Please recognize.

Resolution:

## Discussion

Proposal 1: Proposal of Release the Prohibition on Directors and Representative from Participation in Competitive Business.

(Proposed by the Board of Directors)

Explanation:

- I. In accordance with Company Act Article 209 “a Director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.”
- II. For the operational strategy needs, without affecting the normal business of the Company and without compromising the interests of the Company, the shareholders meeting is proposed to release the prohibition in competitive business for the following Directors and the representative:

Title	Name	Concurrent Position
Chairman:	Tu, Chun-Kuang	General Manager, NEWRETAIL CO., LTD. Director, Tokyo Fashion Co., Ltd., Seychel
Representative Director	Ko An Lin	Representative, PARK HARVEST CAPITAL INC., British Virgin Islands Chairman, Big Red Entertainment Cultural and Creative Inc. Representative , Bayonne Group International Ltd.

- III. Please make the resolution.

Resolution:

Proposal 2: Proposal for a cash offering by private placement.

(Proposed by the Board of Directors)

Explanation:

I. To repay bank borrowings and enrich the Group's working capital, based on the market conditions and the Company's capital needs at the appropriate time, in accordance with Article 43-6 of the Securities and Exchange Act, the "Directions for Public Companies Conducting Private Placements of Securities," the Company proposed private placement of ordinary shares with a quota of no more than 10 million shares and a denomination of NT\$10 per share. The shareholders meeting is proposed to authorize the Board of Directors for the private placement based on actual needs. From the date of the resolution, the private placement can be executed three times within one year.

(I) The basis and reasonableness of the private placement pricing:

1. The reference price of the private placement of ordinary shares shall be the higher of the following two calculations:

(1) The simple average closing price of the common shares for any of either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.

(2) The simple average closing price of the common shares for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction

2. The price per share of privately placed common shares shall be no lower than 80 % of the reference price.

3. As to the actual pricing date and the actual private placement price, the shareholders meeting is proposed to authorize the Board of Directors to decide on the circumstances of specific persons and market conditions, so that the price per share of privately placed common shares shall be no lower than 80 % of the reference price and no lower than the par value of the shares.

4. The above-mentioned price of the private placement, considering the private placed ordinary shares have low liquidity, and the price setting is in accordance with the "Directions for Public Companies Conducting Private Placements of Securities", should be reasonable.

(II) The method of selecting specific persons: It is proposed to authorize the Board of Directors, in accordance with Article 43-6 of the Securities and Exchange Act and the administrative rule of 0910003455 issued by FSC on June 13, 2002.

1. If the placees are insiders or related parties: No insiders or related parties for this private placement.

2. If any placee is a strategic investor:

(1) The method and objectives of selecting the placee: In order to enhance the company's operations, research and development capabilities, and expand the market, the placees can be individuals or legal entities selected from the gaming industry, to improve the financial structure of the company, to enhance the company's operational performance and research and development, or to provide business integration benefit.

(2) Necessity: To cope with the fierce competition in the gaming industry and to coordinate with the company's future products and business



plans, the introduction of strategic investors is necessary.

- (3) Anticipated benefits: With the addition of the placees, it can enrich the working capital of the Group, improve the financial structure of the Company, and reduce costs, enhance operational performance and research and development technology.

(III) The reasons for the necessity of conducting the private placement:

1. The reasons for not using a public offering:

At present, the Company still needs to pay attention to the working capital of the group and consider the timeliness, convenience, and issuance cost of raising capital. Therefore, the private placement method is used for financing. The implementation of the plan is expected to enhance the Company's competitiveness and enhance its operational efficiency, which will also be positive for shareholders' equity.

2. The limit on the private placement: The number of shares issued by private placed ordinary shares shall not exceed 10 million shares, and the denomination of each share shall be NT\$10. The total amount of private placement shall be calculated based on the final private placement price. This private placement is expected to be executed three times within one year from the date of the resolution of the shareholders meeting of the Company.

3. The use of the funds raised in the private placement and anticipated benefits:

This private placement is expected to be executed three times within one year from the date of the resolution of the shareholders meeting of the Company.

Anticipated number of closings	Anticipated number of shares issued	Anticipated use of the funds raised	Anticipated benefits
1st issuance	No more than 1,500,000 shares	To Payback Due to Banks	It is expected that the Company's financial structure will be improved, which will help the Company's operations to grow steadily and will be positively beneficial to the enhancement of shareholders' equity.
2nd issuance	No more than 5,000,000 shares	To enrich the working capital of the Group	It is expected that the Company's financial structure will be improved, which will help the Company's operations to grow steadily and will be positively beneficial to the enhancement of shareholders' equity.
3rd issuance	No more than 3,500,000 shares	To payback Due to Banks and to enrich the working capital of the Group	It is expected that the Company's financial structure will be improved, which will help the Company's operations to grow steadily and will be positively beneficial to the enhancement of shareholders' equity.

- (IV) The rights and obligations of this private placed ordinary stock are tentatively set as follows:
- Same as the ordinary shares issued by the Company, except for the transfer of the ordinary shares of the private placement within three years from the date of delivery to the transfer counterparties other than specified in Article 43 of the Securities and Exchange Act, the rest may not be sold again. After three years from the date of delivery of the shares, retroactive handling of public issuance and listing transactions will be reported in accordance with relevant laws and regulations.
- (V) Except for setting of the percentage for the private placement pricing, the issuing conditions, issuing price, the number of shares issued, issuing amount, planned projects, progress of fund utilization and other relevant matters of the new shares issued shall be subject to the resolution of the Shareholders meeting. In the event of a change in the law or an amendment by the competent authority, or an amendment due to a change in objective factors, the Shareholders meeting is proposed to authorize the Board of Directors for proper response.
- (VI) Regarding the planned private placement of ordinary shares, the total number of private placement to be proposed is no more than 10 million shares, which is the maximum limit. It is expected that the Company will execute the private placement within one year after the Company's 2019 shareholder resolution, depending on the Company's operations, capital, and financial status. The Board of Directors is authorized to handle the execution three times at an appropriate time; the Company will do its utmost to carefully consider the Company's interests and the nature of private placements, consolidate the management rights and take into account the interests of shareholders, improve the Company's financial structure and stabilize the growth of operations.
- (VII) The shareholders meeting is proposed to pass this private placement, and authorize the chairman or its designated person to sign all the contracts or documents concerning the issuance of this private placed ordinary shares on behalf of the Company and handle all matters relevant to the issuance of this private placed ordinary shares.

II. Please make the resolution.

Resolution:

Proposal 3: Amendment to the “Operational procedures for Acquisition and Disposal of Assets”.  
(Proposed by the Board of Directors)

Explanation:

- I. In accordance with the administrative rule of #1070341072 issued by FSC on November 26, 2018, to revise the Company’s “Operational procedures for Acquisition and Disposal of Assets”  
Please refer to page 34-61 (Attachment IV) of this agenda for the comparison table of articles before and after amendment.
- II. Please make the resolution.

Resolution:

## **Questions and motions**

## **Adjournment**

## Overview of 2018 operations and 2019 Operational Plan

In collaboration with cross-Strait first-tier manufacturers, the company's well-known IPs of "Sword and Fairy" and "Xuan Yuan Sword" have been continuously converted to mobile games, which have been successfully released in China, Taiwan, and other foreign countries. In addition to continued revenue contribution from "Sword and Fairy on Mobile" and "Sword and Fairy Online (Mobile)," in 2018, "Xuan Yuan Sword: Hero's Alliance (Mobile)" (Mainland China), "Sword and Fairy 3D (Mobile)" (Taiwan, Hong Kong, and Macau), and "Sword and Fairy 4 on Mobile" (Mainland China) were released. The mobile games of Legend of Sword series and film and television licenses are part of the revenue. Furthermore, when "Xuan Yuan Sword: Luminary" animation was broadcasted on TV TOKYO Japan; it achieved quite impressive results. Meanwhile, when it was transmitted on the Chinese network platforms, it received excellent feedback and discussion. In the future, the Company will be based on the development and operation of mobile games, single player games, and online games, to strengthen the IP business of "Sword and Fairy," "Xuan Yuan Sword," "Richman," "Stardom," "Tun Town," and "Empire of Angels." Investing in the areas of film & television and cultural creation, through the licensing cooperation with the cross-Strait first-tier manufacturers, it is to ensure that SOFTSTAR products will not be absent in various areas and platforms and maintain high input and high quality for the support of the market and players.

The Company is leading the Chinese gaming market in mainland China, Taiwan, and Hong Kong. It has established a solid foundation in product development, marketing channels, game operations and IP licensing, and is actively entering the digital content market. Details of 2018 operating performance and 2019 operation prospects are as follows:

### I. Overview of 2018 business results

#### (I) Overview of 2018 business results

The Company's 2018 consolidated net sales was NT\$855,738 thousands.

#### (II) Budget execution and revenue & expenditure:

Unit: Thousand NT\$

Item	2018 Actual Amount
Net sales	855,738
Cost of goods sold	(81,510)
Gross profit	774,228
Operating expenses	(627,772)
Operating income(loss)	146,456
Non-operating income and expense	(7,894)
Profit(loss) before income tax	138,562
Income tax expense	(53,135)
Net income(loss)	85,427
Net income(loss) attributable to Stockholders of the parent	87,823
Net income(loss) attributable to Non-controlling interests	(2,396)

(III) Profitability analysis

Item	2018
Return on total assets	8.79%
Return on total stockholder's equity	17.47%
operating income to capital	30.64%
Per-tax income to capital	28.99%
Net income to sales	9.98%
Earning per share after tax (NT\$)	1.84

(IV) Research and Development:

The Company is committed to the continuous development of self-made products, including mobile games, standalone games and online games of "Sword and Fairy," "Xuan Yuan Sword," "Richman," "Stardom," "Tun Town," and "Empire of Angels." In 2018, a total of NT\$308,401,000 in research and development expense was invested, accounting for 49% of the Company's operating expenses.

## II. Overview of 2019 business plan

(I) Operation guidelines

◎ Research and development of games

• Standalone games:

Due to the innovation of its operations and its sales model, the Company's standalone game created a historical sales record of over one million sets across the Strait when "Sword and Fairy 5" was launched in 2011. The Company continued to invest in the development of standalone games. In 2013, "Sword and Fairy 5: Prequel" and "Xuan Yuan Sword 6" were released. In 2015, "Xuan Yuan Sword: the Gate of Firmament" and "Sword and Fairy 6" were released. In 2016, "Empire of Angels 4," was released. In 2017, "Xuan Yuan Sword: the Gate of Firmament PS4 and BOX Edition" (global) were released, and in 2019, "Empire of Angels 4 PS4 Edition" (global) will be released. In 2017, we invested in the development of new generation "Sword and Fairy 7" and "Xuan Yuan Sword 7" standalone games. The "Unreal Engine 4" gaming engine was introduced for R&D and production to improve the gaming performance for a high-quality visual gaming experience. At present, "Sword and Fairy 7" and "Xuan Yuan Sword 7" are still under development. In 2019, it is expected to launch "Richman 10."

• Mobile games:

In 2017, the Company launched the self-developed "Sword and Fairy: Mirror's Mirage (Mobile)" (Mainland, Taiwan, Hong Kong, Macau, and South Korea), "Tun Town on Mobile" (Taiwan, Hong Kong, and Macau), and so on. In 2019, it is expected to launch "Sword and Fairy: Nine Wilds (Mobile)" and "Xuan Yuan Sword: Luminary (Mobile)" The Company will continue to research and develop, and cooperate with tier-one vendors to build and

launch mobile games, and expand cooperation to various platforms to increase revenue and profit.

⊙ IP licensing and pan-entertainment authorization cooperation

Develop new games, TV shows, movies, internet dramas, stage plays, animations, and distribute novels or comics through licensing or collaboration.

In February 2018, the " Xuan Yuan Sword: Hero's Alliance (Mobile) " (Mainland China) was released, in March 2018, " Sword and Fairy M (Mobile) " (Taiwan, Hong Kong, and Macau) was released, and in October 2018, "Xuan Yuan Sword Online Mobile Game" (Mainland China) was released. In November 2018, "Sword and Fairy 4 Mobile Game" (Mainland China) was launched. After that, the " Xuan Yuan Sword: Drangon Dances in Clouds and Mountains (Mobile) " (Mainland China) will be launched. The Company's IP brand will work with more cross-disciplinary companies to create more revenue and profit.

⊙ Gaming operation

Operate standalone games, client games, web games, online games and mobile games in Taiwan, Hong Kong, and Macau. In 2018, " Sword and Fairy 3D (Mobile) " was launched. In March 2019, " Xuan Yuan Sword: Drangon Dances in Clouds and Mountains (Mobile) " was launched.

(II) Projected sales

It is expected to launch several mobile games and single player games in 2019, as well as increase the licensing revenue which can assist in the Company's revenue this year.

(III) Major operations & sales policies

- ⊙ Actively expand the Mainland China and overseas markets, and seek licensing partners to grow market share and revenue.
- ⊙ Maintain high-quality products for the right market image.
- ⊙ Continue to expand the channel and actively penetrate the network virtual channel and operation platform.
- ⊙ Strengthen cooperation in film and television IP licensing, digital content and cultural and creative industries.

### III. Future development strategies of the Company

The Company's future development will be focused on IP licensing. In addition to gaming products, we will also work with leading companies in various fields, and plan to invest in crafts, book publishing, film, television, cultural creativity, digital content, and popular music. The multi-disciplinary industry of music and content will rapidly enhance the brand value of SOFTSTAR and IP. In addition to improving the self-developed R&D capabilities, the product strategy will be increasing the number and quality of products on the market through cooperation, licensing, outsourcing and other product development models. In terms of market strategy, besides the standalone games and online game MMORPGs in the original Chinese and Asian markets, the Company has also focused on the mobile game industry in recent years. Multi-language, multi-theme and multi-platform operational expansion will extend

SOFTSTAR's products to international markets around the world.

IV. Impact of the external competitive environment, regulatory environment, and overall business environment:

Due to the limited growth of the online game market in Taiwan, there are many competitors in the market. In recent years, with the rapid rise of web games and mobile games, the trend and structure of the game industry have also changed. The Company is one of the few companies in Taiwan that specializes in game research and development and has a well-known IP series. With a close watch on the market, the Company will continue to invest in self-developed products of various platforms and licensing cooperation with international gaming companies through an updated and more flexible business model, creating more and better works. Also, the Company has not seen a significant impact on its financial business due to changes in the domestic and international regulatory environment. The Company's management team will continue to pay attention to relevant regulations that may affect its operations.

In the future, all my colleagues in the Company will keep up with the high expectation of all shareholders, grow the business in a stable and balanced way, and work together to make SUPERSOFT more successful. Finally, I hope that all shareholders will continue to give us support and encouragement. Thank you!

Chairman: Tu, Chun-Kuang

President: Tsay, Ming-Hong

Chief Accountant: Hsieh, Ping-Hui

# **SOFTSTAR ENTERTAINMENT INC.**

## **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements (consolidated financial statements included), and proposal for allocation of earnings. The CPA firm of Ernst & Young Taiwan was retained to audit the Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements (consolidated financial statements included), and earnings allocation proposal have been reviewed and determined to be accurate by the Audit Committee members. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To:

2019 Annual Shareholders Meeting

Chairman of the Audit Committee:  
Hung, Pi-Lien

March 19, 2019



English Translation of a Report Originally Issued in Chinese

**Independent Auditor’s Report**

To Softstar Entertainment Inc.

**Opinion**

We have audited the accompanying consolidated balance sheets of Softstar Entertainment Inc. (the “Company”) and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on these matters.

### Revenue Recognition – Royalties

The Company and its subsidiaries' royalties are revenue from licensing its solely developed intellectual property (IP) to others that grant use in game development, game operations and film content. As the circumstances and developed products of each license agreement vary, it is necessary to identify performance obligations and determine whether the licensing nature provides a customer with a right to access the Company and its subsidiaries' IP over time or with a right to use the Company and its subsidiaries' IP at a point in time. Also, it is important to consider the expected development period of the games, game operation cycles, industry practices and historical experiences to estimate the duration of revenue allocation and variable consideration estimation, and to regularly review the reasonableness of estimation assumptions. As the Company and its subsidiaries' recognition of royalties as revenue is significant and requires management judgement, we therefore consider this as a key audit matter.

In response to the risk of material misstatement regarding recognition of royalties, our audit procedures included, but were not limited to:

1. Understanding the approach in which royalty revenue is recognized, evaluating and testing the internal controls regarding the recognition of royalties;
2. Obtaining the license agreements, identifying performance obligations, defining the transaction prices, and determining whether revenues are recognized over time or at a point in time;
3. Obtaining the details of recognition of royalties revenue and confirming whether the performance obligations of the license agreement have been fulfilled; obtaining the details of royalty revenue allocation of games development and confirming the correctness of the development period and royalty revenue allocation stated in the license agreements;
4. Review the reasonableness of the estimated allocation periods and the correctness of the calculation of royalty revenues allocation provided by the Company and its subsidiaries.

We also considered the appropriateness of the consolidated financial statements disclosure regarding royalty revenue and contract liabilities in Note 5 and 6.

### Revenue Recognition – Virtual Items

The Company and its subsidiaries have revenue received from online gamers who purchase game points to recharge game credits and subsequently use the credits to buy virtual items. The purchase of game points and recharge of game credits are recorded in a computer server platform. The proceeds received by the Company and its subsidiaries from the sales of game points are initially deferred and revenue is recognized in accordance with the estimated lifetimes of the virtual items after players recharge their game credits and subsequently use the credits to buy virtual items. Management states that the expected lifetimes of the virtual items are the life cycles of the gamers and estimates and calculates the amount of advance proceeds that should be deferred accordingly. Management periodically reviews the reasonableness of the estimate. As the revenue from virtual items of the Company and its subsidiaries is significant and the life cycles of the gamers requires management judgement, it is necessary to judge and determine the performance obligations and the estimation of the timing of satisfaction. Therefore, we consider this as a key audit matter.

In response to the risk of material misstatement regarding virtual items revenue recognition, our audit procedures included, but were not limited to:

1. Understanding the process of allocation and recognition of revenue regarding recharging game credits, and using credits to purchase virtual items;
2. Obtaining the game credit consumption data and revenue calculation sheets for each game, confirming the correctness of the calculations, obtaining the recharge records, the game credit consumption records, and the downloaded revenue reports for each platform, and vouching to the calculation sheets of the Company and its subsidiaries' accounts.
3. Obtaining the estimation tables for the life cycle of the gamers to confirm the rationality of the allocation and recognition of revenue of virtual items.

We also considered the appropriateness of the consolidated financial statements disclosure regarding virtual items revenue and contract liabilities in Note 5 and 6.

### **Emphasis of Matter – Applying for New Accounting Standards**

We draw attention to Note 3 of the consolidated financial statements, which describes the Company and its subsidiaries applied for the International Financial Reporting Standard 9, “Financial Instruments” and 15, “Revenue from Contracts with Customers” starting from January 1, 2018, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

### **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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

## **Auditor's 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 auditor's 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 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 internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries 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 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

### **Other Matter**

The Company has prepared the financial statement as of and for the year ended December 31, 2018 and 2017 with an unqualified opinion with emphasis of matter and unqualified opinion from us, respectively.

Yu, Chien-Ju  
Yang, Chih-Huei

Ernst & Young, Taiwan  
March 19, 2019

### **Notice to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practice to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		Liabilities and Equity	Notes	As of	
		December 31, 2018	December 31, 2017			December 31, 2018	December 31, 2017
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4 and 6	\$180,410	\$255,290	Short-term borrowings	6	\$62,425	\$-
Contract assets, current	4 and 6	112,692	-	Contract liabilities, current	4 and 6	91,483	-
Notes receivable, net	4	1,231	1,324	Notes payable		-	694
Accounts receivable, net	4 and 6	112,039	104,780	Accounts payable		68,583	51,058
Accounts receivable-related parties, net	4, 6 and 7	5,304	1,685	Accounts payable-related parties	7	943	1
Other receivables	4	1,834	3,172	Other payables	6	87,158	74,960
Other receivables-related parties	4 and 7	441	-	Other payables-related parties	7	33	33
Current income tax assets	4	1,342	8,985	Current income tax liabilities	4 and 6	14,485	-
Inventories, net	4 and 6	1,817	3,377	Current portion of long-term liabilities	4, 6 and 8	36,881	26,420
Prepayment	6 and 7	140,637	113,113	Other current liabilities	6	48,848	190,175
Other financial assets, current	8	45,113	10,663	<b>Total current liabilities</b>		<b>410,839</b>	<b>343,341</b>
<b>Total current assets</b>		<b>602,860</b>	<b>502,389</b>	<b>Non-current liabilities</b>			
<b>Non-current assets</b>				Contract liabilities, noncurrent	4 and 6	115,967	-
Financial assets at fair value through other comprehensive income, noncurrent	4 and 6	189,506	-	Long-term borrowings	4, 6 and 8	47,721	36,268
Available-for-sale financial assets, noncurrent	4 and 6	-	105,274	Deferred tax liabilities	4 and 6	604	-
Financial assets measured at cost, noncurrent	4 and 6	-	186,703	Other noncurrent liabilities		314	314
Investments accounted for using the equity method	4 and 6	16,528	16,397	Net defined benefit liabilities	4 and 6	21,228	18,585
Contract assets, noncurrent	4 and 6	101,286	-	<b>Total non-current liabilities</b>		<b>185,834</b>	<b>55,167</b>
Property, plant and equipment	4 and 6	23,423	33,096	<b>Total liabilities</b>		<b>596,673</b>	<b>398,508</b>
Intangible assets	4 and 6	12,586	18,569	<b>Equity attributable to the parent company</b>	4 and 6		
Deferred tax assets	4 and 6	4,081	-	Common stock		477,945	478,313
Refundable deposits		11,846	12,019	Additional paid-in capital		179,197	25,174
Costs to fulfil a contract	4 and 6	98,043	-	Retained earnings			
Other financial assets, noncurrent	8	23,000	16,750	Legal reserve		1,925	101
<b>Total non-current assets</b>		<b>480,299</b>	<b>388,808</b>	Special reserve		15,648	-
				Unappropriated earnings		126,566	17,472
				Other components of equity		(314,911)	(29,556)
				<b>Total equity attributable to the parent company</b>		<b>486,370</b>	<b>491,504</b>
				<b>Non-controlling interests</b>		<b>116</b>	<b>1,185</b>
				<b>Total equity</b>		<b>486,486</b>	<b>492,689</b>
<b>Total assets</b>		<b>\$1,083,159</b>	<b>\$891,197</b>	<b>Total liabilities and equity</b>		<b>\$1,083,159</b>	<b>\$891,197</b>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	For the Years Ended December 31,	
		2018	2017
<b>Net sales</b>	4, 5 and 6	\$855,738	\$789,128
<b>Cost of goods sold</b>		(81,510)	(123,739)
<b>Gross profit</b>		774,228	665,389
<b>Operating expenses</b>			
Sales and marketing expenses		(187,268)	(168,056)
General and administrative expenses		(122,069)	(115,707)
Research and development expenses		(308,401)	(345,093)
Expected credit losses		(10,034)	-
Subtotal		(627,772)	(628,856)
<b>Operating income</b>	6	146,456	36,533
<b>Non-operating income and expenses</b>			
Other income	6	9,145	11,726
Other gains and losses		(8,147)	(13,049)
Finance costs		(1,674)	(1,590)
Share of profit or loss of associates and joint ventures accounted for using equity method		(7,218)	(8,503)
Subtotal		(7,894)	(11,416)
<b>Profit before income tax</b>		138,562	25,117
<b>Income tax expense</b>	4	(53,135)	(15,589)
<b>Net income</b>		85,427	9,528
<b>Other comprehensive income (loss)</b>	4 and 6		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		(2,585)	(772)
Unrealized gains or losses from financial assets at fair value through other comprehensive income (loss)		(88,089)	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of foreign operations		(433)	(803)
Unrealized gains or losses from available-for-sale financial assets		-	(23,477)
<b>Total other comprehensive loss, net of tax</b>		(91,107)	(25,052)
<b>Total comprehensive loss</b>		\$(5,680)	\$(15,524)
<b>Net income attributable to:</b>			
Stockholders of the parent		\$87,823	\$18,244
Non-controlling interests		(2,396)	(8,716)
		\$85,427	\$9,528
<b>Comprehensive loss attributable to:</b>			
Stockholders of the parent		\$(3,284)	\$(6,808)
Non-controlling interests		(2,396)	(8,716)
		\$(5,680)	\$(15,524)
<b>Earnings per share (NTD)</b>	4 and 6		
Earnings per share-basic		\$1.84	\$0.38
Earnings per share-diluted		\$1.84	\$0.38

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Description	Retained Earnings					Others Components of Equity							Total	
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences		Unrealized Gains or Losses from Financial Assets at Fair Value		Unrealized Gains or Losses from Available-for-Sale Financial Assets	Unearned Stock- Based Employee Compensation	Treasury Stock		Non-Controlling Interests
						Resulting from		Through Other						
						Translating the Financial Statements of Foreign Operations		Comprehensive Income (Loss)						
Balance as of January 1, 2017	\$481,936	\$186,125	\$101	\$-	\$(136,074)	\$ (6,638)	\$-	\$1,251	\$(10,339)	\$-	\$516,362	\$357	\$516,719	
Additional paid-in capital used to cover accumulated deficits	-	(136,074)	-	-	136,074	-	-	-	-	-	-	-	-	
Net profit in 2017	-	-	-	-	18,244	-	-	-	-	-	18,244	(8,716)	9,528	
Other comprehensive income in 2017	-	-	-	-	(772)	(803)	-	(23,477)	-	-	(25,052)	-	(25,052)	
Total comprehensive income	-	-	-	-	17,472	(803)	-	(23,477)	-	-	(6,808)	(8,716)	(15,524)	
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(25,736)	(25,736)	-	(25,736)	
Treasury stock retired	(3,220)	(22,516)	-	-	-	-	-	-	-	25,736	-	-	-	
Share-based payment transactions	(403)	(2,361)	-	-	-	-	-	-	10,450	-	7,686	-	7,686	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	9,544	9,544	
Balance as of December 31, 2017	\$478,313	\$25,174	\$101	\$-	\$17,472	\$ (7,441)	\$-	\$(22,226)	\$111	\$-	\$491,504	\$1,185	\$492,689	
Balance as of January 1, 2018	\$478,313	\$25,174	\$101	\$-	\$17,472	\$ (7,441)	\$-	\$(22,226)	\$111	\$-	\$491,504	\$1,185	\$492,689	
Effect of retrospective application and retrospective restatement	-	-	-	-	41,328	-	(61,448)	22,226	-	-	2,106	-	2,106	
Balance as of January 1, 2018 after adjustments	478,313	25,174	101	-	58,800	(7,441)	(61,448)	-	111	-	493,610	1,185	494,795	
Appropriation and distribution of 2017 retained earnings														
Legal reserve	-	-	1,824	-	(1,824)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	15,648	(15,648)	-	-	-	-	-	-	-	-	
Net income in 2018	-	-	-	-	87,823	-	-	-	-	-	87,823	(2,396)	85,427	
Other comprehensive income in 2018	-	-	-	-	(2,585)	(433)	(88,089)	-	-	-	(91,107)	-	(91,107)	
Total comprehensive income	-	-	-	-	85,238	(433)	(88,089)	-	-	-	(3,284)	(2,396)	(5,680)	
Changes in ownership interests in subsidiaries	-	(1,327)	-	-	-	-	-	-	-	-	(1,327)	1,327	-	
Share-based payment transactions	(368)	155,350	-	-	-	-	-	-	(157,611)	-	(2,629)	-	(2,629)	
Balance as of December 31, 2018	\$477,945	\$179,197	\$1,925	\$15,648	\$126,566	\$ (7,874)	\$(149,537)	\$-	\$(157,500)	\$-	\$486,370	\$116	\$486,486	

The accompanying notes are an integral part of the parent company only financial statements.



## SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Description	For the Years Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net income before tax	\$138,562	\$25,117
Adjustments for:		
Depreciation	13,679	9,120
Amortization	12,132	5,940
Bad debts expenses	-	226
Expected credit losses	10,034	-
Interest expense	1,674	1,590
Interest income	(615)	(1,056)
Dividend income	(1,131)	-
Share-based payments expense	(2,629)	7,686
Share of net loss of associates and joint ventures accounted for using equity method	7,218	8,503
Loss on disposal of property, plant and equipment	119	108
Loss on disposal of intangible assets	36	-
Loss (gain) on disposal of investment	5	(6,314)
Impairment loss from financial assets	-	15,085
Impairment loss from non-financial assets	363	-
Changes in operating assets and liabilities:		
Contract assets	(195,277)	-
Notes receivable, net	93	45
Accounts receivable, net	(16,176)	6,905
Accounts receivable-related parties, net	(5,303)	2,560
Other receivables	1,396	29,859
Other receivables-related parties	(441)	-
Inventories, net	1,560	(60)
Prepayment	(26,970)	(37,608)
Costs to fulfil a contract	(78,282)	-
Contract liabilities	(9,453)	-
Notes payable	(694)	(434)
Accounts payable	17,711	(8,578)
Accounts payable-related parties	755	-
Other payables	10,366	(24,286)
Other payables-related parties	-	(4,543)
Other current liabilities	(169)	(52,480)
Net defined benefit liabilities	57	383
Cash used in operations	(121,380)	(22,232)
Interest received	557	997
Dividend received	1,131	-
Interest paid	(1,660)	(1,550)
Income tax paid	(40,865)	(993)
Net cash used in operating activities	(162,217)	(23,778)
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income capital reduction and return of stock	14,380	-
Acquisition of financial assets measured at cost	-	(11,478)
Acquisition of available-for-sale financial assets	-	(98,217)
Acquisition of investments accounted for using equity method	(7,350)	(24,900)
Proceeds from disposal of investments accounted for using equity method	-	75,400
Acquisition of subsidiaries (net of cash acquired)	-	2,164
Disposal of subsidiaries (net of cash acquired)	(5)	2,967
Acquisition of property, plant and equipment	(6,612)	(10,820)
Proceeds from disposal of property, plant and equipment	2,433	214
Decrease (increase) in refundable deposits	173	(525)
Acquisition of intangible assets	(6,705)	(11,966)
Proceeds from disposal of intangible assets	145	-
Other financial assets	(40,700)	206
Net cash used in investing activities	(44,241)	(76,955)
Cash flows from financing activities:		
Increase in short-term borrowings	62,425	-
Acquisition of long-term borrowings	50,000	80,000
Repayment of long-term borrowings	(28,086)	(29,811)
Increase in guarantee deposits received	47,605	-
Treasury stock transactions	-	(25,736)
Changes in non-controlling interests	-	14,998
Net cash provided by financing activities	131,944	39,451
Net foreign exchange difference	(366)	2
Net decrease in cash and cash equivalents	(74,880)	(61,280)
Cash and cash equivalents at beginning of year	255,290	316,570
Cash and cash equivalents at end of year	\$180,410	\$255,290

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

English Translation of a Report Originally Issued in Chinese

**Independent Auditor's Report**

To Softstar Entertainment Inc.

**Opinion**

We have audited the accompanying parent company only balance sheets of Softstar Entertainment Inc. (the "Company") as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Parent Company Only Financial Statements section of our report. We are independent of the Company and in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on these matters.

### Revenue Recognition – Royalties

The Company's royalties are revenue from licensing its solely developed intellectual property (IP) to others that grant use in game development, game operations and film content. As the circumstances and developed products of each license agreement vary, it is necessary to identify performance obligations and determine whether the licensing nature provides a customer with a right to access the Company's IP over time or with a right to use the Company's IP at a point in time. Also, it is important to consider the expected development period of the games, game operation cycles, industry practices and historical experiences to estimate the duration of revenue allocation and variable consideration estimation, and to regularly review the reasonableness of estimation assumptions. As the Company's recognition of royalties as revenue is significant and requires management judgement, we therefore consider this as a key audit matter.

In response to the risk of material misstatement regarding recognition of royalties, our audit procedures included, but were not limited to:

1. Understanding the approach in which royalty revenue is recognized, evaluating and testing the internal controls regarding the recognition of royalties;
2. Obtaining the license agreements, identifying performance obligations, defining the transaction prices, and determining whether revenues are recognized over time or at a point in time;
3. Obtaining the details of recognition of royalties and confirming whether the performance obligations of the license agreement have been fulfilled; obtaining the details of royalty revenue allocation of games development and confirming the correctness of the development period and revenue allocation stated in the license agreements;
4. Review the reasonableness of the estimated allocation periods and the correctness of the calculation of royalty revenues allocation provided by the Company.

We also considered the appropriateness of the parent company only financial statements disclosure regarding royalty revenue and contract liabilities in Note 5 and 6.

### Investments accounted for using the equity method - Loftstar Interactive Entertainment Inc.

As of December 31, 2018, the Company recognized NT\$32,909 thousand, which represents (37)% of the Company's total profit for this period in share of loss of associates and joint ventures accounted for using equity method from subsidiary Loftstar Interactive Entertainment Inc.. The amount of the aforementioned is considered to be material to the Company's financial statements, therefore we consider Loftstar Interactive Entertainment Inc.'s virtual items revenue as a key audit matter.

Loftstar Interactive Entertainment Inc. has revenue, received from online gamers who purchase game points to recharge game credits and subsequently use the credits to buy virtual items. The purchase of game points and recharge of game credits are recorded in a computer server platform. The proceeds received by the Loftstar Interactive Entertainment Inc. from the sales of game points are initially deferred and revenue is recognized in accordance with the estimated lifetimes of the virtual items after players recharge their game credits and subsequently use the credits to buy virtual items. Management states that the expected lifetimes of the virtual items are the life cycles of the gamers and estimates and calculates the amount of advance proceeds that should be deferred accordingly. Management periodically reviews the reasonableness of the estimate. As the revenue from virtual items of Loftstar Interactive Entertainment Inc. is significant and the life cycles of the gamers requires management judgement, it is necessary to judge and determine the performance obligations and the estimation of the timing of satisfaction. Therefore, we consider this as a key audit matter.

In response to the risk of material misstatement regarding virtual items revenue recognition, our audit procedures included, but were not limited to:

1. Understanding the process of allocation and recognition of revenue regarding recharging game credits, and using credits to purchase virtual items;
2. Obtaining the game credit consumption data and revenue calculation sheets for each game, confirming the correctness of the calculations, obtaining the recharge records, the game credit consumption records, and the downloaded revenue reports for each platform, and vouching to the calculation sheets of Loftstar Interactive Entertainment Inc.'s accounts.
3. Obtaining the estimation tables for the life cycles of the gamers to confirm the rationality of the allocation and recognition of revenue of virtual items.

We also considered the appropriateness of the parent company only financial statements disclosure regarding virtual items revenue and contract liabilities in Note 5 and 6.

### **Emphasis of Matter – Applying for New Accounting Standards**

We draw attention to Note 3 of the financial statements, which describes the Company applied for the International Financial Reporting Standard 9, “Financial Instruments” and 15, “Revenue from Contracts with Customers” starting from January 1, 2018, and elected not to restate the financial statements for prior periods. Our conclusion is not modified in respect of this matter.

## **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

## **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 parent company only 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 parent company only 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 internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 2018 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Yu, Chien-Ju  
Yang, Chih-Huei

Ernst & Young, Taiwan  
March 19, 2019

**Notice to Readers**

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practice to audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese  
SOFTSTAR ENTERTAINMENT INC.  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		Liabilities and Equity	Notes	As of	
		December 31, 2018	December 31, 2017			December 31, 2018	December 31, 2017
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4 and 6	\$119,960	\$127,394	Short-term borrowings	4 and 6	\$30,000	\$-
Contract assets, current	4 and 6	37,640	-	Contract liabilities, current	4 and 6	13,975	-
Accounts receivable, net	4 and 6	69,067	56,535	Accounts payable		58,009	45,427
Accounts receivable-related parties, net	4, 6 and 7	15,701	24,369	Accounts payable-related parties	7	1,421	1,581
Other receivables	4	183	-	Other payables	4 and 6	38,981	28,325
Other receivables-related parties	7	11,311	9,353	Other payables-related parties	7	2,849	-
Current income tax assets		1,313	8,890	Current income tax liabilities	4 and 6	11,184	-
Prepayment	4, 6 and 7	73,156	62,022	Current portion of long-term liabilities	4 and 6	36,881	26,420
Other financial assets, current	8	43,641	6,022	Other current liabilities	4 and 6	1,075	102,905
<b>Total current assets</b>		<b>371,972</b>	<b>294,585</b>	<b>Total current liabilities</b>		<b>194,375</b>	<b>204,658</b>
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
Financial assets at fair value through other comprehensive income, noncurrent	4 and 6	153,004	-	Long-term borrowings	4 and 6	47,721	36,268
Available-for-sale financial assets, noncurrent	4 and 6	-	10,754	Deferred tax liabilities	4 and 6	604	-
Financial assets measured at cost, noncurrent	4 and 6	-	186,703	Other noncurrent liabilities	4 and 6	21,228	18,585
Investments accounted for using the equity method	4 and 6	118,335	210,152	Net defined benefit liabilities	4 and 6	11,549	4,222
Contract assets, noncurrent	4 and 6	65,231	-	<b>Total non-current liabilities</b>		<b>81,102</b>	<b>59,075</b>
Property, plant and equipment	4 and 6	14,271	16,671	<b>Total liabilities</b>		<b>275,477</b>	<b>263,733</b>
Intangible assets	4 and 6	6,302	13,971	<b>Equity attributable to the parent company</b>			
Deferred tax assets	4 and 6	4,081	-	Common stock	4 and 6	477,945	478,313
Refundable deposits	4	5,651	5,651	Additional paid-in capital	4 and 6	179,197	25,174
Other financial assets, noncurrent	4 and 8	23,000	16,750	Retained earnings	4 and 6		
<b>Total non-current assets</b>		<b>389,875</b>	<b>460,652</b>	Legal reserve		1,925	101
				Special reserve		15,648	-
				Unappropriated earnings		126,566	17,472
				Other components of equity		(314,911)	(29,556)
				<b>Total equity</b>		<b>486,370</b>	<b>491,504</b>
<b>Total assets</b>		<b>\$761,847</b>	<b>\$755,237</b>	<b>Total liabilities and equity</b>		<b>\$761,847</b>	<b>\$755,237</b>

The accompanying notes are an integral part of the parent company only financial statements.



English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	For the Years Ended December 31,	
		2018	2017
<b>Net sales</b>	4, 5, 6 and 7	\$547,106	\$353,406
<b>Cost of goods sold</b>	7	(39,467)	(95,711)
<b>Gross profit</b>	4, 6 and 7	507,639	257,695
<b>Operating expenses</b>			
Sales and marketing expenses		(41,128)	(21,213)
General and administrative expenses		(56,852)	(60,181)
Research and development expenses		(201,128)	(108,376)
Expected credit losses		(9,881)	-
Subtotal		(308,989)	(189,770)
<b>Operating income</b>	6	198,650	67,925
<b>Non-operating income and expenses</b>			
Other income		3,644	1,639
Other gains and losses		(2,254)	(6,523)
Finance costs		(1,383)	(1,590)
Share of profit or loss of associates and joint ventures accounted for using equity method		(74,842)	(28,483)
Subtotal		(74,835)	(34,957)
<b>Profit before income tax</b>		123,815	32,968
<b>Income tax expense</b>	4	(35,992)	(14,724)
<b>Net income</b>		87,823	18,244
<b>Other comprehensive income (loss)</b>			
	4 and 6		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		(2,585)	(772)
Unrealized gains or losses from financial assets at fair value through other comprehensive income (loss)		(30,073)	-
Financial assets at fair value through other comprehensive income of associates and joint ventures accounted for using equity method		(58,016)	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of foreign operations		(433)	(803)
Unrealized gains or losses from available-for-sale financial assets		-	(19,779)
Unrealized gains or losses from available-for-sale financial assets of associates and joint ventures accounted for using equity method		-	(3,698)
<b>Total other comprehensive loss, net of tax</b>		(91,107)	(25,052)
<b>Total comprehensive loss</b>		<u><u>\$(3,284)</u></u>	<u><u>\$(6,808)</u></u>
<b>Earnings per share (NTD)</b>			
	4 and 6		
Earnings per share-basic		<u><u>\$1.84</u></u>	<u><u>\$0.38</u></u>
Earnings per share-diluted		<u><u>\$1.84</u></u>	<u><u>\$0.38</u></u>

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Description	Retained Earnings					Others Components of Equity					
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations	Unrealized Gains or Losses from Financial Assets at Fair Value Through Other Comprehensive Income (Loss)	Unrealized Gains or Losses from Available-for-Sale Financial Assets	Unearned stock-Based Employee Compensation	Treasury Stock	Total
Balance as of January 1, 2017	\$481,936	\$186,125	\$101	\$-	\$(136,074)	\$(6,638)	\$-	\$1,251	\$(10,339)	\$-	\$516,362
Additional paid-in capital used to cover accumulated deficits	-	(136,074)	-	-	136,074	-	-	-	-	-	-
Net loss in 2017	-	-	-	-	18,244	-	-	-	-	-	18,244
Other comprehensive income in 2017	-	-	-	-	(772)	(803)	-	(23,477)	-	-	(25,052)
Total comprehensive income	-	-	-	-	17,472	(803)	-	(23,477)	-	-	(6,808)
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(25,736)	(25,736)
Treasury stock retired	(3,220)	(22,516)	-	-	-	-	-	-	-	25,736	-
Share-based payment transactions	(403)	(2,361)	-	-	-	-	-	-	10,450	-	7,686
Balance as of December 31, 2017	\$478,313	\$25,174	\$101	\$-	\$17,472	\$(7,441)	\$-	\$(22,226)	\$111	\$-	\$491,504
Balance as of January 1, 2018	\$478,313	\$25,174	\$101	\$-	\$17,472	\$(7,441)	\$-	\$(22,226)	\$111	\$-	\$491,504
Effect of retrospective application and retrospective restatement	-	-	-	-	41,328	-	(61,448)	22,226	-	-	2,106
Balance as of January 1, 2018 after adjustments	478,313	25,174	101	-	58,800	(7,441)	(61,448)	-	111	-	493,610
Appropriation and distribution of 2017 retained earnings											
Legal reserve	-	-	1,824	-	(1,824)	-	-	-	-	-	-
Special reserve	-	-	-	15,648	(15,648)	-	-	-	-	-	-
Net income in 2018	-	-	-	-	87,823	-	-	-	-	-	87,823
Other comprehensive income in 2018	-	-	-	-	(2,585)	(433)	(88,089)	-	-	-	(91,107)
Total comprehensive income	-	-	-	-	85,238	(433)	(88,089)	-	-	-	(3,284)
Changes in ownership interests in subsidiaries	-	(1,327)	-	-	-	-	-	-	-	-	(1,327)
Share-based payment transactions	(368)	155,350	-	-	-	-	-	-	(157,611)	-	(2,629)
Balance as of December 31, 2018	\$477,945	\$179,197	\$1,925	\$15,648	\$126,566	\$(7,874)	\$(149,537)	\$-	\$(157,500)	\$-	\$486,370

The accompanying notes are an integral part of the parent company only financial statements.

## SOFTSTAR ENTERTAINMENT INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Description	For the Years Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net income before tax	\$123,815	\$32,968
Adjustments for:		
Depreciation	4,732	4,401
Amortization	9,976	4,586
Bad debts expenses	-	172
Expected credit losses	9,881	-
Interest expense	1,383	1,590
Interest income	(407)	(220)
Dividend income	(1,131)	-
Share-based payments expense	(2,629)	7,686
Share of net loss of associates and joint ventures accounted for using equity method	74,842	28,483
Gain disposal of property, plant and equipment	(41)	(15)
Gain on disposal of investment	-	(11,199)
Impairment loss from financial assets	-	15,085
Changes in operating assets and liabilities:		
Contract assets	(91,143)	-
Notes receivable, net	-	31
Accounts receivable, net	(16,008)	(16,819)
Accounts receivable-related parties, net	8,669	5,674
Other receivables	(126)	31,957
Other receivables-related parties	(1,958)	(3,340)
Prepayment	(9,757)	(27,315)
Other financial assets	-	7,737
Contract liabilities	(70,323)	-
Notes payable	-	(1,000)
Accounts payable	12,581	4,417
Accounts payable-related parties	(160)	(1,108)
Other payables	8,824	(14,612)
Other payables-related parties	2,849	-
Other current liabilities	(619)	27,914
Net defined benefit liabilities	57	382
Cash provided by operations	<u>63,307</u>	<u>97,455</u>
Interest received	349	162
Dividend received	1,131	-
Interest paid	(1,369)	(1,549)
Income tax paid	(27,913)	(71)
Net cash provided by operating activities	<u>35,505</u>	<u>95,997</u>
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income financial assets capital reduction and return of stock	14,380	-
Acquisition of financial assets measured at cost	-	(23,699)
Acquisition of investments accounted for using equity method	(60,766)	(180,773)
Proceeds from disposal of investments accounted for using equity method	-	10,302
Equity method capital reduction and return of stock	-	60,251
Acquisition of property, plant and equipment	(2,537)	(1,827)
Proceeds from disposal of property, plant and equipment	246	34
Acquisition of intangible assets	(2,307)	(10,935)
Other financial assets	(43,869)	(16,750)
Net cash used in investing activities	<u>(94,853)</u>	<u>(163,397)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	30,000	-
Acquisition of long-term borrowings	50,000	80,000
Repayment of long-term borrowings	(28,086)	(29,811)
Treasury stock transactions	-	(25,736)
Net cash provided by financing activities	<u>51,914</u>	<u>24,453</u>
Net decrease in cash and cash equivalents	(7,434)	(42,947)
Cash and cash equivalents at beginning of year	127,394	170,341
Cash and cash equivalents at end of year	<u>\$119,960</u>	<u>\$127,394</u>

The accompanying notes are an integral part of the parent company only financial statements.

**SOFTSTAR ENTERTAINMENT INC.**

**Comparisons of Amendment for “Operational procedures for Acquisition and Disposal of Assets”**

Amended	Current	Explanation
<p>Chapter 3. "Assets" in these Procedures:</p> <p>I. <del>Long-term and short-term</del> Investments in stocks, government bonds, corporate bonds, financial bonds, <del>domestic beneficiary certificates</del>, <u>securities representing interest in an overseas mutual fund</u>, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>II. Real property (including lands, plants and buildings, investment property, <del>and right to use land</del>) and equipment;</p> <p>III. Memberships.</p> <p>IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>V. <u>Right-of-use assets</u>.</p> <p>VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>VII. Derivatives.</p> <p>VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p>IX. Other major assets.</p>	<p>Chapter 3. "Assets" in these Procedures:</p> <p>I. Long-term and short-term Investments in stocks, government bonds, corporate bonds, financial bonds, domestic beneficiary certificates, overseas mutual funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>II. Real property (including lands, plants and buildings, investment property, and right to use land) and equipment;</p> <p>III. Memberships.</p> <p>IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>V. Claims of financial institutions (including receivables, discounted bills and loans, collections).</p> <p>VI. Derivatives.</p> <p>VII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p>VIII. VIII. Other major assets.</p>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>
<p>Article 4. Definition of Terms</p> <p>I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from <u>assets</u>, a <u>specified</u> interest rate, <u>financial instrument price, commodity price</u>, foreign exchange rate, index of <u>prices or rates</u>, <u>credit rating or credit index</u>, or other <u>variable benefits</u>; or <u>hybrid</u></p>	<p>Article 4. Definition of Terms</p> <p>I. Derivatives: Refers to forward contracts, option contracts, futures contracts, leverage contracts, exchange contracts derived from assets, interest rates, exchange rates, index and other similar commodities, and complicate contracts from combination of them. The term "forward contracts"</p>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>

Amended	Current	Explanation
<p><u>contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives; and the hybrid contracts of the products—mentioned.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <b>contracts</b>.</p> <p>II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156 <b>Paragraph 8-3</b> of the Company Act.</p> <p>III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. Provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent</p>	<p>does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>II. Assets acquired or disposed of through merger, division, acquisitions or share transfer in accordance with the law: Those acquired or disposed of through merger, division and acquisition in accordance with the Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act or other laws, or by acquisitions or share transfer of new stocks of other companies (hereafter referred to as “share exchange”) under Clause 6 of Article 156 of the Company Act.</p> <p>III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. Provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>VI. Mainland China area investment: Refers to</p>	

Amended	Current	Explanation
<p>authority shall apply.</p> <p>VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>VII. <u>Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p>VIII. <u>Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p>IX. <u>Over-the-counter venue ("OTC venue," "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p> <p>X. "Latest financial statement" refers to the disclosed parent or individual financial statement that is checked or</p>	<p>investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>VII. "Latest financial statement" refers to the disclosed parent or individual financial statement that is checked or reviewed by the accountant before the company's acquisition or disposal of assets.</p> <p>VIII. For the calculation of 10 % of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p>	

Amended	Current	Explanation
<p>reviewed by the accountant before the company's acquisition or disposal of assets.</p> <p>XI. For the calculation of 10 % of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</p> <p><u>In the case of a company whose shares have no par value or a par value other than NT\$10-for the calculation of transaction amounts of 20 % of paid-in capital, 10 % of equity attributable to owners of the parent shall be substituted; for calculations regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.</u></p>		
<p>Chapter 5. Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <del>shall not be related parties to any transaction.</del> <u>Shall meet the following requirements:</u></p> <p>I. <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Security and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if three years have already passed since completion of service of the sentence, since</u></p>	<p>Chapter 5. Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be related parties to any transaction.</p>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>

Amended	Current	Explanation
<p><u>expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p>II. <u>May not be a related party or de facto related party of any party to the transaction.</u></p> <p>III. <u>If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p>I. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p>II. <u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p>III. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p>IV. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		
<p>Chapter 7. Total amounts of real property <u>and right-of-use assets</u> thereof or securities acquired by the Company and</p>	<p>Chapter 7. Total amounts of real property and right-of-use assets thereof or securities acquired by the Company</p>	<p>In accordance with the administrative rules of</p>



Amended	Current	Explanation
<p>each subsidiary for business use, and limits on individual securities.</p> <p>I. Total amounts of real property and <u>its right-of-use asset</u> thereof or securities acquired by the Company for non-business use, and limits on individual securities are as follows:</p> <ol style="list-style-type: none"> <li>1. Total amount of real property <u>and its right-of-use asset</u> for non-business use shall not exceed 20% of the net worth in the most recent financial statements of the Company.</li> <li>2. The amount that is invested in securities shall be no more than ten times the net worth in the most recent financial statements of the Company.</li> <li>3. The amount that is invested in an individual security shall be no more than ten times the net worth in the most recent financial statements of the Company.</li> </ol> <p>II. Total amounts of real property <u>and its right-of-use assets</u> thereof or securities acquired by the Company and each Subsidiary for non-business use, and limits on individual securities are as follows:</p> <ol style="list-style-type: none"> <li>1. Total amount of real property <u>and its right-of-use asset</u> for non-business use shall not exceed 20% of the net worth in the most recent financial statements of the Company.</li> <li>2. The amount that is invested in securities shall be no more than ten times the net worth in the most recent financial statements of the Company.</li> <li>3. The amount that is invested in an individual security shall be no more than ten times the net worth in the most recent financial statements of the Company.</li> </ol>	<p>and each Subsidiary for non-business use, and limits on individual securities.</p> <p>I. Total amounts of real property thereof or securities acquired by the Company for non-business use, and limits on individual securities are as follows:</p> <ol style="list-style-type: none"> <li>1. Total amount of real property and its right-of-use asset for non-business use shall not exceed 20% of the net worth in the most recent financial statements of the Company.</li> <li>2. The amount that is invested in securities shall be no more than ten times the net worth in the most recent financial statements of the Company.</li> <li>3. The amount that is invested in an individual security shall be no more than ten times the net worth in the most recent financial statements of the Company.</li> </ol> <p>II. Total amounts of real property and right-of-use assets thereof or securities acquired by the company and each subsidiary for non-business use, and limits on individual securities are as follows:</p> <ol style="list-style-type: none"> <li>1. Total amount of real property and its right-of-use asset for non-business use shall not exceed 20% of the net worth in the most recent financial statements of the Company.</li> <li>2. The amount that is invested in securities shall be no more than ten times the net worth in the most recent financial statements of the Company.</li> <li>3. The amount that is invested in an individual security shall be no more than ten times the net worth in the most recent financial statements of the Company.</li> </ol>	<p>#1070341072 issued by the FSC on November 26, 2018.</p>

Amended	Current	Explanation
<p>Chapter 8. In accordance with these Procedures or other relevant laws and regulations, with respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors, the Board of Directors shall take into full consideration each Independent Director's opinions. <u>If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</u></p> <p>Major assets or derivatives transactions shall be approved <u>by more than half of all Audit Committee members</u> and submitted to the Board of Directors for a resolution. <u>If approval of more than half of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</u></p>	<p>Chapter 8. In accordance with these Procedures or other relevant laws and regulations, with respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes.</p> <p>Major assets or derivatives transactions shall be approved by the Audit Committee and submitted to the Board of Directors for a resolution.</p>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>
<p>Chapter 10. Procedures Governing the Acquisition and Disposal of Real Property <del>or</del>, Equipment <u>or Right-of-use Assets</u></p> <p>I. The means of price determination and authorized limit:</p> <p>(I) The acquisition or disposal of real property <del>or</del>, equipment, <u>or its right-of-use asset</u> shall be reported by the original or relevant department with explanation, referred by the asset management department to reported current value, rated value, real trade price of nearby real property, and decided with bargaining or bidding.</p> <p>(II) For the acquisition or disposal of real property <del>or</del>, equipment, <u>or its right-of-use asset</u>, of which the transaction amount is less than NT\$20 million, it</p>	<p>Chapter 10. Procedures Governing the Acquisition and Disposal of Real Property or Equipment</p> <p>I. The means of price determination and authorized limit:</p> <p>(I) The acquisition or disposal of real property or equipment shall be reported by the original or relevant department with explanation, referred by the asset management department to reported current value, rated value, real trade price of nearby real property, and decided with bargaining or bidding.</p> <p>(II) For the acquisition or disposal of real property or equipment, of which the transaction amount is less than NT\$20 million, it shall be approved</p>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>

Amended	Current	Explanation
<p>shall be approved through the Company’s internal procedure according to the authorized limits; of which the translation amount is more than NT\$20 million, it shall be approved by the Board of Directors; of which the transaction amount is more than NT\$50 million, it shall be approved by the Audit Committee and then submitted to the Board of Directors for approval.</p> <p>II. Units responsible for implementation: The administrative department and relevant department.</p> <p>III. Transaction Process: The transaction process of the acquisition or disposal of real property <del>or</del>, equipment, <u>or its right-of-use assets</u> by the Company shall follow <del>the fixed asset cycle</del> requirements of the Company’s internal control system.</p> <p>IV. Obtaining Expert Opinion: In acquiring or disposing of real property <del>or</del>, equipment, <u>or its right-of-use assets</u> thereof where the transaction amount reaches 20 % of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets</u> thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser. And meet the following requirements:</p> <p>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors. <u>The same procedure shall also be followed whenever there is</u></p>	<p>through the Company’s internal procedure according to the authorized limits; of which the translation amount is more than NT\$20 million, it shall be approved by the Board of Directors; of which the transaction amount is more than NT\$50 million, it shall be approved by the Audit Committee and then submitted to the Board of Directors for approval.</p> <p>II. Units responsible for implementation: The administrative department and relevant department.</p> <p>III. Transaction Process: The transaction process of the acquisition or disposal of real property or equipment by the Company shall follow the fixed asset cycle requirements of the Company’s internal control system.</p> <p>IV. Obtaining Expert Opinion: In acquiring or disposing of real property, or equipment thereof where the transaction amount reaches 20 % of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser. And meet the following requirements:</p> <p>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors. The same procedure shall also be</p>	

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<p><del>any subsequent future change to the terms and conditions of the transaction. The same procedure shall also be followed.</del></p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20 % or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 % or more of the transaction amount.</p> <p>4. The period between the issued date of the appraisal report and the establishment of the contract shall be no more than 3 months. Provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 % or more of the transaction amount.</p> <p>4. The period between the issued date of the appraisal report and the establishment of the contract shall be no more than 3 months. Provided, where the publicly announced current value for the same period is used and not more</p>	

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<p>V. The calculation of the transaction amounts referred to previously shall be done as follows, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or its right-of-use asset</u> thereof within the same development project within the preceding year.</li> </ol>	<p>than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>V. The calculation of the transaction amounts referred to previously shall be done as follows, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. 3. The total cumulative amounts as results of acquisition or disposal (cumulative acquisitions and disposals, respectively) of real property within same development plan within a year</li> </ol>	
<p>Chapter 11. Procedures Governing Related Party Transactions:</p> <p>I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Chapter 10 and this Chapter. The calculation of the transaction amounts referred to previously shall be done herein, and "within the preceding year" as used herein refers to the</p>	<p>Chapter 11. Procedures Governing Related Party Transactions:</p> <p>I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 % or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Chapter 10 and this Chapter. The calculation of the transaction amounts referred to previously shall be done herein,</p>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>

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<p>year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or its right-of-use asset</u> thereof within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>II. When the Company intends to acquire or dispose of real property <u>or its right-of-use asset</u> thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or its right-of-use asset</u> thereof from or to a related party and the transaction amount reaches 20 % or more of paid-in capital, 10 % or more of the company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust</p>	<p>and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The total cumulative amounts as results of acquisition or disposal (cumulative acquisitions and disposals, respectively) of real property within same development plan within a year</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>II. If this Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 % of this Company's paid-in capital, 10 % of this Company's total assets, or NT\$300 million, except for buying or selling government bonds, bonds under repurchase and resale agreements and subscribing or redeeming domestic money market funds issued by securities investment trusts, this Company may not proceed to</p>	

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<p>enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then submitted to the Board of Directors for a resolution:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a transaction counterparty.</li> <li>3. With respect to the acquisition of real property <u>or right-of-use</u> asset thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with applicable regulations.</li> <li>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</li> <li>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Chapter 10.</li> <li>7. Restrictive covenants and other important stipulations associated with the transaction.</li> </ol> <p>The calculation of the transaction amounts referred to previously shall be made herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current</p>	<p>enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then submitted to the Board for a resolution:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a transaction counterparty.</li> <li>3. With respect to the acquisition of real property from a related party, information regarding the evaluation of the reasonableness of the preliminary transaction terms in accordance with applicable regulations.</li> <li>4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</li> <li>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Chapter 10.</li> <li>7. Restrictive covenants and other important stipulations associated with the transaction.</li> </ol> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved</p>	



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<p>transaction. Items that have been approved by the <u>Audit Committee and</u> the Board of Directors need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or its right-of-use asset</u> thereof within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p><u>With respect to the types of transactions listed below, when to be conducted between the Company and its Subsidiaries, or between its Subsidiaries in which it directly or indirectly holds 100 % of the issued shares or authorized capital,</u> the Company's Board of Directors may pursuant to the previous procedures delegate the board chairman to decide such matters when the transaction is within the amount of NT\$10 million and have the decisions subsequently submitted to and ratified by the next <u>Audit Committee and</u> Board of Directors meeting:</p> <ol style="list-style-type: none"> <li>1. <u>Acquisition or disposal of equipment or its right-of-use assets thereof held for business use.</u></li> <li>2. <u>Acquisition or disposal of real property right-of-use assets held for business use.</u></li> </ol> <p>III. The Company that acquires real property <u>or right-of-use</u></p>	<p>by the Board of Directors need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The total cumulative amounts as results of acquisition or disposal (cumulative acquisitions and disposals, respectively) of real property within same development plan within a year</li> <li>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</li> </ol> <p>With respect to the acquisition or disposal of operation-purpose equipment between this Company and its subsidiaries, the Board may delegate the Chairman according to the preceding paragraph to decide such matters when the transaction is within the amount of NT\$10 million and have the decisions subsequently submitted to and ratified at the next Board meeting.</p> <p>III. The Company that acquires real property thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means (where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below):</p> <ol style="list-style-type: none"> <li>1. Based upon the related party's transaction price</li> </ol>	



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<p><u>assets</u> thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means (where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below):</p> <ol style="list-style-type: none"> <li>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</li> <li>2. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</li> </ol> <p>IV. The Company that acquires real property <u>or right-of-use assets</u> thereof from a related party and appraises the cost of the real property <u>or right-of-use assets</u> thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>V. Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the paragraph II, and the</p>	<p>plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <ol style="list-style-type: none"> <li>2. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</li> </ol> <p>IV. The Company that acquires real property thereof from a related party and appraises the cost of the real property thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>V. Where the Company acquires real property thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the paragraph II, and the preceding two paragraphs do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property thereof through inheritance or as a gift.</li> <li>2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property thereof to the signing date for the current transaction.</li> </ol>	

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<p>preceding two paragraphs do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property or its right-of-use asset thereof through inheritance or as a gift.</li> <li>2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property or its right-of-use asset thereof to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</li> <li>4. <b>The real property right-of-use assets for business use are acquired by the Company with its Subsidiaries, or by its Subsidiaries in which it directly or indirectly holds 100 % of the issued shares or authorized capital.</b></li> </ol> <p>VI. If the Company that acquires real property <u>or its right-of-use assets</u> thereof from a related party has evaluated the reasonableness of the transaction costs in accordance with paragraph III, of which the results are all lower than the transaction price, paragraph VII applies. However, where the following circumstances exist, objective evidence has been submitted, and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: <ol style="list-style-type: none"> <li>(1) Where undeveloped land is appraised in accordance with the means in the <b>preceeding</b></li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</li> </ol> <p>VI. If the Company that acquires real property thereof from a related party has evaluated the reasonableness of the transaction costs in accordance with paragraph III, of which the results are all lower than the transaction price, paragraph VII applies. However, where the following circumstances exist, objective evidence has been submitted, and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions: <ol style="list-style-type: none"> <li>(1) The undeveloped land was appraised according to the provisions of the preceding Article, but the buildings have been appraised based on the related party's construction costs plus reasonable construction profit and in combination with the land, the total exceeds the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as</li> </ol> </li> </ol>	

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<p>paragraph III, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and <u>transaction</u> terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale <u>or leasing</u> practices.</p> <p><del>(3) There are cases of leasing transactions—completed by unrelated parties for other floors of the same property within the preceding year in which the transaction—terms are estimated to be similar based on—reasonable price discrepancies among floors in accordance with standard property leasing market practices.</del></p> <p>2. Where the Company acquiring real property, <u>or obtaining real property right-of-use assets through leasing</u>, from a related party provides evidence that the terms of the <u>transaction</u> are similar to the terms</p>	<p>announced by the Ministry of Finance, whichever is lower.</p> <p>(2) There are cases of completed transactions by unrelated parties within the preceding year involving other floors of the same property or property in an adjacent area in which the properties are similar in area and the terms of the transactions in those cases are found to be similar after assessment of reasonable discrepancies in the prices of different floors or districts in accordance with standard property market practices.</p> <p>(3) There are cases of leasing transactions completed by unrelated parties for other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>2. Where the Company acquiring real property, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced</p>	

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<p>of completed <u>transactions</u> involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed <u>transactions</u> involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 % of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.</p> <p>VII. If the Company that acquires real property <u>or its right-of-use assets</u> thereof from a related party has evaluated the reasonableness of the transaction costs in accordance with paragraph III, of which the results are all lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property <u>or its right-of-use asset</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other</li> </ol>	<p>current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 % of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property thereof.</p> <p>VII. If the Company that acquires real property thereof from a related party has evaluated the reasonableness of the transaction costs in accordance with paragraph III, of which the results are all lower than the transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate</li> </ol>	

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<p>company. The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, <u>or the leasing contract</u> has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the <u>FSC</u> has given its consent.</p> <p>2. The Audit Committee shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>VIII. When the Company obtains real property <u>or its right-of-use assets</u> thereof from a related party, it shall also comply with paragraph 7 if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	<p>compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the MoF Securities and Futures Commission has given its consent.</p> <p>2. The Audit Committee shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>VIII. When the Company obtains real property thereof from a related party, it shall also comply with paragraph VII if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	
<p>Chapter 12. Procedure Governing the Acquisition or Disposal of Intangible Assets, <u>its Right-of-use Assets, or Membership</u></p> <p>I. The means of price determination and authorized limit:</p> <p>(I) For the acquisition or disposal of <u>membership, intangible assets, or the right-of-use assets, or membership</u>, consideration should be given to the future benefits of the assets, the fair value of the market, and when necessary, with reference to expert opinions, and negotiate with the counterparty of the transaction.</p>	<p>Chapter 12. Procedure Governing the Acquisition or Disposal of Membership or Intangible Assets:</p> <p>I. The means of price determination and authorized limit:</p> <p>(I) For the acquisition or disposal of membership or intangible assets, consideration should be given to the future benefits of the assets, the fair value of the market, and when necessary, with reference to expert opinions, and negotiate with the counterparty of the transaction.</p> <p>(II) For the acquisition or disposal of membership,</p>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>

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<p>(II) For the acquisition or disposal of membership, of which the transaction amount is less than (equal to) NT\$2 million, it shall be approved through the Company's internal procedure by the General Manager; of which the translation amount is more than NT\$2 million, it shall be approved by the Audit Committee and then submitted to the Board of Directors for approval.</p> <p>(III) For the acquisition or disposal of intangible assets <u>or the right-of-use assets</u>, of which the transaction amount is less than (equal to) NT\$20 million, it shall be approved through the Company's internal procedure by the Chairman and submitted to the next recent Board of Directors meeting; of which the translation amount is more than NT\$20 million, it shall be approved by the Audit Committee and then submitted to the Board of Directors for approval.</p> <p>II. Units responsible for implementation: The financial department, administrative department and relevant department.</p> <p>III. Transaction process: The transaction process of the acquisition or disposal <del>of membership</del>, intangible assets <u>or its the right-of-use assets or membership</u> by the Company shall follow <del>the procurement and payment-eyele</del> requirements of the Company's internal control system.</p> <p>IV. Obtaining Expert Opinion: Where the Company acquires or disposes <del>of membership</del>, intangible assets <u>or the its right-of-use assets or membership</u>, thereof or memberships and the transaction amount reaches 20 % or more of paid-in capital or NT\$300 million or more, except in</p>	<p>of which the transaction amount is less than (equal to) NT\$2 million, it shall be approved through the Company's internal procedure by the General Manager; of which the translation amount is more than NT\$2 million, it shall be approved by the Audit Committee and then submitted to the Board of Directors for approval.</p> <p>(III) For the acquisition or disposal of intangible assets, of which the transaction amount is less than (equal to) NT\$20 million, it shall be approved through the Company's internal procedure by the Chairman and submitted to the next recent Board of Directors meeting; of which the translation amount is more than NT\$20 million, it shall be approved by the Audit Committee and then submitted to the Board of Directors for approval.</p> <p>II. Units responsible for implementation: The financial department, administrative department and relevant department.</p> <p>III. Transaction process: The transaction process of the acquisition or disposal of membership or intangible assets by the Company shall follow the procurement and payment cycle requirements of the Company's internal control system.</p> <p>IV. Obtaining Expert Opinion: Where the Company acquires or disposes of intangible assets thereof or memberships and the transaction amount reaches 20 % or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant</p>	

Amended	Current	Explanation
<p>transactions with a <u>domestic</u> government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. The calculation of the transaction amounts referred to previously shall be done herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> </ol>	<p>prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p>The calculation of the transaction amounts referred to previously shall be done herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> </ol>	
<p>Chapter 14. Procedures for Engaging in Derivatives Trading I~IV (Omitted)</p> <p>V. Supervision and Management by the Board of Directors</p> <p>(I) Where a public company engages in derivatives trading, its Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.</li> <li>2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.</li> </ol>	<p>Chapter 14. Procedures for Engaging in Derivatives Trading I~IV (Omitted)</p> <p>V. Supervision and Management by the Board of Directors</p> <p>(I) Where a public company engages in derivatives trading, its Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.</li> <li>2. Periodically evaluate whether derivatives trading performance is consistent with</li> </ol>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>



Amended	Current	Explanation
<p>(II) Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with <u>FSC</u>'s "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the Procedures for engaging in derivatives trading formulated by the company.</li> <li>2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; <del>where the Company has Independent Directors</del>, an Independent Director shall be present at the meeting and express an opinion.</li> </ol> <p>(III) The Company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with these Procedures.</p>	<p>established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.</p> <p>(II) Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with SFC's "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the Procedures for engaging in derivatives trading formulated by the company.</li> <li>2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where the Company has Independent Directors, an Independent Director shall be present at the meeting and express an opinion.</li> </ol> <p>(III) The Company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with these Procedures.</p>	
<p>Chapter 15. Procedures for Merger, Demerger, Acquisition, or Transfer of Shares.</p> <ol style="list-style-type: none"> <li>I. (Omitted)</li> <li>II. Other Matters Requiring Attention <ol style="list-style-type: none"> <li>1. Date of Board Meeting: A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve</li> </ol> </li> </ol>	<p>Chapter 15. Procedures for Merger, Demerger, Acquisition, or Transfer of Shares.</p> <ol style="list-style-type: none"> <li>I. (Omitted)</li> <li>II. Other Matters Requiring Attention <ol style="list-style-type: none"> <li>1. A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters</li> </ol> </li> </ol>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>



Amended	Current	Explanation
<p>matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the <del>SFI</del> <u>FSC</u> is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the <del>SFI</del> <u>FSC</u> is notified in advance of extraordinary circumstances and grants consent.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:</p> <ol style="list-style-type: none"> <li>(1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</li> <li>(2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.</li> <li>(3) Important documents and minutes: Including mergers, demergers, acquisitions, and share transfer plans, any letter of intent or memorandum of understanding, material</li> </ol>	<p>relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the SFC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the SFC is notified in advance of extraordinary circumstances and grants consent.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:</p> <ol style="list-style-type: none"> <li>(1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</li> <li>(2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.</li> <li>(3) Important documents and minutes: Including mergers, demergers,</li> </ol>	

Amended	Current	Explanation
<p>contracts, and minutes of Board of Directors meetings.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information for recordation.</p>	<p>acquisitions, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information for recordation.</p>	
<p>Chapter 16. Control procedures for the acquisition and disposal of assets by subsidiaries.</p> <p>I. The Company shall supervise each Subsidiary to be in accordance with the FSC's "Standards for Public Company Acquisition or Disposal of Assets" in establishing and implementing "Procedures Governing the Acquisition and Disposal of Assets."</p> <p>II. If the subsidiary is not a public company but reaches the standards of announcement and report regulated in Chapter 3 of "Standards for Public Company Acquisition or Disposal of Assets," the Company shall make an announcement for the subsidiary.</p> <p>III. In the Subsidiary's standards <del>of announcement and report, the referred to "20 % of the Company's paid-up capital,"</del> concerning the paid-up capital or total assets, is based on the Company's paid-up capital or <u>total assets</u>.</p> <p>IV. The Company's audit personnel shall periodically review and report each Subsidiary for compliance with the SFC's "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the</p>	<p>Chapter 16. Control procedures for the acquisition and disposal of assets by subsidiaries.</p> <p>I. The Company shall supervise each Subsidiary to be in accordance with the FSC's "Standards for Public Company Acquisition or Disposal of Assets" in establishing and implementing "Procedures Governing the Acquisition and Disposal of Assets."</p> <p>II. If the subsidiary is not a public company but reaches the standards of announcement and report regulated in Chapter 3 of "Standards for Public Company Acquisition or Disposal of Assets," the Company shall make an announcement for the subsidiary.</p> <p>III. In the Subsidiary's standards of announcement and report, the referred to "20 % of the Company's paid-up capital," is based on the Company's paid-up capital.</p> <p>IV. The Company's audit personnel shall periodically review and report each Subsidiary for compliance with the SFC's "Regulations Governing the Acquisition and Disposal of Assets by Public</p>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>

Amended	Current	Explanation
<p>Procedures. After submission and approval, the findings and recommendations of the audit report shall be sent to each corresponding Subsidiary for improvement. Follow-up reports shall be made regularly to confirm timely responsive measures have been taken for improvement.</p>	<p>Companies” and the Procedures. After submission and approval, the findings and recommendations of the audit report shall be sent to each corresponding Subsidiary for improvement. Follow-up reports shall be made regularly to confirm timely responsive measures have been taken for improvement.</p>	
<p>Chapter 17. Information Disclosure Procedures</p> <p>I. Criteria for items to be announced and reported</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property <u>or its right-of-use asset</u> thereof from or to a related party, or acquisition or disposal of assets other than real property <u>or its right-of-use asset</u> thereof from or to a related party where the transaction amount reaches 20 % or more of paid-in capital, 10 % or more of the company's total assets, or NT\$300 million or more. Provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</li> <li>4. Where asset categories of equipment <u>or its right-of-use assets</u> thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria: <ol style="list-style-type: none"> <li>(1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</li> </ol> </li> </ol>	<p>Chapter 17. Information Disclosure Procedures</p> <p>I. Criteria for items to be announced and reported</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property thereof from or to a related party, or acquisition or disposal of assets other than real property thereof from or to a related party where the transaction amount reaches 20 % or more of paid-in capital, 10 % or more of the company's total assets, or NT\$300 million or more. Provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</li> <li>4. Where asset categories of equipment thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria: <ol style="list-style-type: none"> <li>(1) For a public company whose paid-in</li> </ol> </li> </ol>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>

Amended	Current	Explanation
<p>(2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Acquisition or disposal by the Company in the construction business of real property <u>or right-of-use assets</u> thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, <u>if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.</u></p> <p>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership %ages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party,</u> and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. In addition the provisions of the former three Paragraphs, any transactions of assets, disposal of debts by financial institutions or investment in mainland China which have reach a transaction amount up to 20 % of the Company's paid- up capital or more than NT\$300 million. The following situations are not subject to this limit:</p> <p>(1) Trading of <u>domestic</u> government bonds.</p> <p>(2) Where done by professional investors-</p>	<p>capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>(2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Acquisition or disposal of real property for construction purposes by the Company, which runs construction business without any involvement of the related party and the transaction amount reaching NT\$500 million or more.</p> <p>6. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership %ages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>7. In addition the provisions of the former three Paragraphs, any transactions of assets, disposal of debts by financial institutions or investment in mainland China which have reach a transaction amount up to 20 % of the Company's paid- up capital or more than NT\$300 million. The following situations are not subject to this limit:</p> <p>(1) Bonds Trading</p> <p>(2) Where done by professional investors- securities trading on securities exchanges</p>	

Amended	Current	Explanation
<p>securities trading on <del>domestic and foreign</del> securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics <u>(excluding subordinated debt) that are offered and issued in the domestic primary market, or subscription or redemption of securities investment trust funds or futures trust funds</u>, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>8. The calculation method of the transaction amounts for the above-mentioned fourth Subparagraph is as follows; moreover, the referred “within one year” starts from transaction date, and trace back to one year; the amount that has been reported according to regulations shall not be counted in.</p> <p>(1) The amount of any individual transaction.</p> <p>(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>(3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or its right-of-use asset</u> thereof within</p>	<p>or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>8. The calculation method of the transaction amounts for the above-mentioned fourth Subparagraph is as follows; moreover, the referred “within one year” starts from transaction date, and trace back to one year; the amount that has been reported according to regulations shall not be counted in.</p> <p>(1) The amount of any individual transaction.</p> <p>(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>(3) The total accumulative amounts as results of acquisition or disposal (accumulating the acquisition and disposing real property respectively) of real property within same development plan within a year</p>	

Amended	Current	Explanation
<p>the same development project within the preceding year.</p> <p>(4) (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p>	<p>(4) (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p>	
<p>Chapter 19. These Procedures must be approved by the Audit Committee, then submitted to the Board of Directors for approval, and reported to the shareholders meeting for recognition. The same procedure applies for any future amendments.</p> <p>When these Procedures are submitted for discussion by the Board of Directors in accordance with the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. <b>If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</b></p> <p><u>Establishing or amendment of these Procedures in accordance with paragraph I shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</u></p>	<p>Chapter 19. These Procedures must be approved by the Audit Committee, then submitted to the Board of Directors for approval, and reported to the shareholders meeting for recognition. The same procedure applies for any future amendments.</p> <p>When these Procedures are submitted for discussion by the Board of Directors in accordance with the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects about any matter, it shall be recorded in the minutes.</p>	<p>In accordance with the administrative rules of #1070341072 issued by the FSC on November 26, 2018.</p>
<p>Chapter 20. Amendment History of the Procedures Establishment: Approved in the Shareholders' meeting on May 6, 1999.</p> <p>The 1st Amendment: Approved in the Shareholders meeting</p>	<p>Chapter 20. Amendment History of the Procedures Establishment: Approved in the Shareholders' meeting on May 6, 1999.</p> <p>The 1st Amendment: Approved in the Shareholders</p>	<p>Addition of revision date</p>

Amended	Current	Explanation
<p>on May 24, 2000.  The 2nd Amendment: Approved in the Shareholders meeting on June 24, 2002.  The 3rd Amendment: Approved in the Shareholders meeting on June 13, 2007.  The 4th Amendment: Approved in Shareholders meeting on June 27, 2012  The 5th Amendment: Approved in Shareholders meeting on May 23, 2014  The 6th Amendment: Approved in Shareholders meeting on June 22, 2017  <u>The 7th Amendment: Approved in Shareholders meeting on June 10, 2019</u></p>	<p>meeting on May 24, 2000.  The 2nd Amendment: Approved in the Shareholders meeting on June 24, 2002.  The 3rd Amendment: Approved in the Shareholders meeting on June 13, 2007.  The 4th Amendment: Approved in Shareholders meeting on June 27, 2012  The 5th Amendment: Approved in Shareholders meeting on May 23, 2014  The 6th Amendment: Approved in Shareholders meeting on June 22, 2017</p>	

# SOFTSTAR ENTERTAINMENT INC.

## Articles of Incorporation

### Chapter 1 General Provisions

- Article 1-1 The Company was organized in accordance with the Company Act. (English name is SOFTSTAR ENTERTAINMENT INC.)
- Article 2 The Company's scope of business is as follows:
- (I) I599990 Other Designing.
  - (II) F401010 International Trade.
  - (III) I301010 Software Design Services.
  - (IV) F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles.
  - (V) F109070 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles.
  - (VI) JE01010 Rental and Leasing Business.
  - (VII) F118010 Wholesale of Computer Software.
  - (VIII) F218010 Retail Sale of Computer Software.
  - (IX) F113050 Wholesale of Computing and Business Machinery Equipment.
  - (X) F213030 Retail Sale of Computing and Business Machinery Equipment.
  - (XI) I301020 Data Processing Services
  - (XII) CC01120 Data Storage Media Manufacturing and Duplicating.
  - (XIII) CC01080 Electronic parts and components manufacturing.
  - (XIV) I301030 Digital Information Supply Services.
- Article 3 The Company set up its headquarters in Taipei City. When necessary, it may set up branch offices domestically or abroad with a resolution by the Board of Directors.
- Article 4 The Company may engage in other companies. The total amount of the Company's investment in other companies is exempted from the prohibition against exceeding 40 % of paid-up capital described in Article 13 of the Company Act.
- Article 5 The Company may endorse/guarantee.

### Chapter 2 Shares

- Article 6 The Company's authorized capital is NT\$1.3 billion, which is divided into 130 million shares. Each share carries a par value of NT\$10, and the Board of Directors has been authorized to issue them in installments. The NT\$100 million shares of the capital in the preceding paragraph are reserved for stock options including special stocks with options, company bonds with stock options and employee stock options, totaling ten million shares. Each share carries a par value of NT\$10 and may be issued in accordance with the resolution of the Board of Directors.
- Article 6-1 (deleted)
- Article 6-2 (deleted)
- Article 6-3 (deleted)
- Article 6-4 (deleted)
- Article 6-5 (deleted)
- Article 6-6 (deleted)



- Article 7 All of the shares issued by the Company shall be name-bearing, numbered and signed or sealed by at least three of the Company's Directors. Shares can be issued by the competent authority or the competent authority's approved share-issuing institution after the shares are recorded. The Company may be exempted from printing any share certificate for the shares issued, but shall appoint a centralized securities custody institution to make registration of such shares. The same applies on securities.
- Article 8 Stock-related affairs shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies.
- Article 9 (deleted)
- Article 10 The transfer of shares shall be suspended within 60 days prior to the convening date of an annual general meeting, or within 30 days prior to the convening date of an extraordinary general meeting, or within 5 days prior to the base date fixed by the Company for distribution of dividends, bonus or other benefits.

### Chapter 3 Shareholders Meeting

- Article 11 The Company's Shareholders Meeting falls in the following categories:  
 I. Annual General Meeting, held by the Board of Directors within six months after the end of each fiscal year.  
 II. Extraordinary General Meeting, convened in accordance with relevant laws and regulations when necessary.
- Article 12 The Shareholders Meeting shall be chaired by the Chairman of the Board. Article 12-1: In case the Chairman is on leave, the designated Director appointed by the Chairman shall act in place of the Chairman. Where the Chairman does not make such appointment, the Directors shall elect one person from among themselves to serve as chair. When the meeting is called by a person outside of the Board of Directors, the convener shall preside as the chair, and when there are two or more conveners, a person among them shall be elected to preside as the chair.
- Article 13 The annual general meeting shall be convened 30 days before the day of the meeting and the extraordinary general meeting shall be convened 15 days before the date of the meeting. The shareholders shall be notified of the date, place, and convening of the meeting.
- Article 14 When a shareholder is unable to attend the shareholder's meeting, he/she may appoint a representative through a letter of proxy printed by the Company, stating the scope of authorization to the representative.  
 Shareholders' attendance by representative shall be conducted in accordance with Article 177 of the Company Act, as well as meeting the requirements provided in the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.
- Article 15 Each shareholder of the Company is entitled to one vote per share, unless otherwise provided by applicable law or regulation.
- Article 16 Unless otherwise stated in relevant laws and regulations, resolutions of shareholders' meeting shall be agreed by the majority of votes represented by the attending shareholders or representatives who represents the majority of the total number of issued shares.

#### Chapter 4 Board of Directors, the Audit Committee, and the Manager

- Article 17 The Company shall have seven Directors, with three-year office term. Directors are elected and appointed by the shareholders' meeting from candidates in accordance with the candidate nomination system. Candidate(s) may continue in office if re-elected.
- The number of Independent Directors shall be no less than three, and not less than one-fifth of the number of Directors. The professional qualification requirements, restrictions on shares held and concurrent positions, identification of independence, candidate nomination and election, exercising power, and other relevant requirements of the Independent Directors shall be in accordance with the regulations of the security authority.
- The election of Independent Directors and non-Independent Directors shall be held together. The number of elected seats shall be calculated independently. The total number of shares held by all Directors in the Company's registered shares shall not be less than the amount specified by the supervisory authority.
- The Company shall purchase liability insurance for the Directors for carrying out the scope of their responsibilities during the terms of office.
- Article 17-1 The Audit Committee in accordance with the Securities and Exchanges Act shall be comprised of all Independent Directors, whose number shall be no less than three, and one of whom will be the convener. At least one of the members shall have accounting or finance expertise.
- Where an Audit Committee has been established by the Company, the provisions of the Securities and Exchange Act, the Company Act, and other laws relating to supervisors shall apply to the Audit Committee.
- Article 18 Directors organize the Board of Directors, of which its functions are as follows:
- I. To provide business plan.
  - II. To propose profit distribution or a plan for recovery of losses.
  - III. To propose capital increase or decrease.
  - IV. To formulate material chapters and the Company's organization procedures.
  - V. To appoint and discharge the Company's general manager and managers.
  - VI. To setup and shutdown branch institutes.
  - VII. To prepare budget and final accounts
  - VIII. Other power entitled by the Company Act or the resolution of the Shareholders meeting.
- Article 19 A Chairman shall be elected among the Directors with two-thirds or more of all Directors in attendance and the consent of the majority of the Directors present. The Chairman shall represent the Company externally.
- Article 20 The Board of Directors shall be organized by the Chairman unless otherwise provided by the Company Act. Unless otherwise provided by the Company Act, a resolution of the Board of Directors shall be adopted by the consent of a half of the Directors in attendance at the meeting where a half of the total number of Directors presents.
- Article 20-1 In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each Director no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time. In calling a meeting of the Board of Directors, a notice setting forth to each Director can be in the form of writing, e-mail, or fax.

- Article 21 If the chairman of the board is on leave or cannot perform his duties for some reason, the Chairman shall designate a Director to act on his behalf. If the Chairman does not designate a Director, Directors shall elect one person from among themselves to serve as chair. Directors shall attend meetings of the Board of Directors. If a Director is unavailable to attend a meeting in person, the Director may issue a power of attorney for the given meeting, but such authorization is limited to one person only.
- Article 22 (deleted)
- Article 23 When the number of Directors falls short by one-third of the total number or all Independent Directors have been dismissed, the Board of Directors shall call an extraordinary general meeting within 60 days from the date of occurrence to carry out a by-election to fill the vacancies.
- Article 24 The Company may have managerial officers. Appointment, dismissal and compensation of the managerial officers shall be decided in accordance with Article 29 of the Company Act.
- Article 24-1 The Board of Directors is authorized to decide the compensation to all Directors based on the degree of their participation in and contribution to the operations of the Company and referred at a rate consistent with general practices in the industry.
- Article 25 The general manager shall preside over the business of the Company in accordance with the resolution of the Board of Directors.

#### Chapter 5 Accounting

- Article 26 The Company's fiscal year begins from January 1 to December 31. Final accounts should be processed at the end of each year.
- Article 27 In accordance with Article 228 of the Company Act, at the close of each fiscal year, the Board of Directors shall prepare the following reports and statements, which will be subsequently submitted to the annual general meeting for recognition.
- I. Business Report.
  - II. Financial Statements.
  - III. Propose profit distribution or a plan for recovery of losses.
- Article 28 The distribution of dividends and bonuses is based on the proportion of shares held by each shareholder. When the company has no surplus, it does not pay dividends and bonuses.
- Article 29 If the Company makes a profit in the year, at least 3% of the profit shall be allocated for employee compensations and no more than 3 % shall be allocated for compensations of the Directors. But the Company shall reserve a portion of profit to make up for accumulated losses (including adjusted unallocated earnings from previous years), if any.
- The Board of Directors shall issue the employee compensation in the preceding paragraph in the form of stocks or cash distribution, and the objects of the issuance shall include employees of the subordinate companies that meet the conditions set by the Board of Directors. The Director compensation of the preceding paragraph is only paid in cash.
- The compensation distribution of the employees and Directors shall be subject to the resolution of the Board of Directors, and shall be reported to the shareholders meeting.

- Article 29-1 When there are earnings in the annual final accounts of the Company, 10 % of the balance, after deducting all taxes and making up for the losses in the past years, shall be set aside for the statutory surplus reserves, except when the cumulative statutory surplus has reached the paid-in capital of the Company. Special surplus reserves required by the regulations shall also be allocated and the balance then added with the unallocated earnings from previous years. Subsequently, after taking into consideration the capital needed for operations, financial structure, the current annual earnings and the stability of dividend distribution, the Board of Directors shall plan the earnings distribution and forward a proposal to the shareholders meeting for approval.  
The Company's dividend distribution policy is subject to the Company's operational needs and the maximum interests of shareholders. The distribution of shareholder dividends is based on the principle of stock dividends. If there are surpluses, the cash dividends are distributed to shareholders. However, the proportion of cash dividends is not more than 50 % of the total dividend distribution.
- Article 30 (deleted)

#### Chapter 6 Others

- Article 31 (deleted)
- Article 32 The Company's organizational structures and business rules shall be established separately.
- Article 33 Any other matters not set forth in the Procedures shall be dealt with in accordance with Company Act and the relevant laws and regulations.
- Article 34 The Articles of Incorporation were established on July 28, 1998. The 1st amendment was made on September 21, 1998. The 2nd amendment was made on November 17, 1998. The 3rd amendment was made on May 6, 1999. The 4th amendment was made on November 25, 1999. The 5th amendment was made on May 24, 2000. The 6th amendment was made on June 13, 2001. The 7th amendment was made on June 24, 2002. The 8th amendment was made on June 14, 2002. The 9th amendment was made on June 15, 2004. The 10th amendment was made on June 14, 2005. The 11th amendment was made on June 14, 2006. The 12th amendment was made on June 13, 2007. The 13th amendment was made on June 13, 2008. The 14th amendment was made on June 16, 2009. The 15th amendment was made on June 17, 2010. The 16th amendment was made on June 22, 2011. The 17th amendment was made on June 27, 2012. The 18th amendment was made on June 4, 2013. The 19th amendment was made on April 30, 2015. The 20th amendment was made on June 6, 2016. The 21st amendment was made on June 22, 2017. The 22nd amendment was made on June 29, 2018.

SOFTSTAR ENTERTAINMENT INC.  
Chairman: Tu, Chun-Kuang

SOFTSTAR ENTERTAINMENT INC.  
Rules of Procedure for Shareholders' Meeting

- I. Meetings of shareholders shall be acted upon in accordance with these rules.
- II. Shareholders (or proxies) attending the shareholders meeting shall sign on the attendance book, or turn in the sign-in card for check-in procedures. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book or sign-in cards handed.
- III. Attendance and voting at a Shareholders Meeting shall be calculated based the number of shares.
- IV. The location of shareholders meeting shall be this Company's current location or such other place that is convenient for shareholders to attend. The meeting shall not commence earlier than 9AM or later than 3PM.
- V. When a Shareholders Meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. In case the Chairman is on leave or for any reason unable to exercise his powers, the vice chairman shall act in place of the Chairman. If there is no vice chairman or the vice chairman is also on leave or for any reason unable to exercise his powers, the Chairman shall appoint one of the managing Directors to act as the chair, or if managing Directors have not been appointed, one of the Directors shall be appointed to act as the chair. Where the Chairman does not make such appointment, the managing Directors or the Directors shall elect one person from among themselves to serve as chair.  
  
If the chairman has not appointed a representative or the designated Director cannot perform his/her duties for some reason, the meeting chair shall be elected from among the Directors present.
- VI. The Company may appoint its attorneys, certified public accountants, or related persons to attend a Shareholders Meeting with a non-voting capacity. The staff members who take charge of the shareholders' meeting affairs shall wear identification certificates or armbands.
- VII. The Company shall record the shareholders meetings by audio or video and keep the recording for at least one year.
- VIII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If after two postponements no quorum can yet be constituted but the shareholders present at the meeting represent more than one third of the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Act. When, prior to termination of the meeting, the attending shareholders represent a half of the total number of issued shares, the chair may submit the tentative resolution for a vote to the Shareholders Meeting pursuant to Article 174 of the Company Act.

IX. If a Shareholders Meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the Shareholders Meeting.

The provisions of the preceding paragraph apply to a Shareholders Meeting convened by a party with the power to convene that is the member of the Board of Directors.

Unless otherwise resolved at the shareholders' meeting, the chairman may not announce adjournment of the meeting unless the scheduled agenda items (including Extemporaneous Motions) set forth in the preceding provisions of this Article are concluded. After the meeting is adjourned, shareholders may not separately elect a chair and resume the meeting at the original or another venue.

X. Before speaking, the attending shareholder shall complete the speaker's slip indicating the subject of speech, shareholder's account number (or the attendance card number) and account name. The sequence of speeches shall be determined by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt. Unless they have obtained the consent of the chair and the shareholder who has the floor, the chair shall stop any violation.

XI. A shareholder may not speak more than twice on the same resolution without the chairman's consent, with five minutes maximum for each speech. However, if approved by the chairman, it may be extended for three minutes. The chairman may stop any shareholder who violates the above rules or exceeds the scope of the agenda item.

XII. Any legal entity designated as proxy by shareholder(s) to be present at the meeting may appoint only one representative to attend the meeting. When a corporate shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives appointed may speak on the same proposal.

XIII. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

XIV. When the chairman considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.

XV. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. The result of the voting shall be reported and made into a record.

XVI. Unless otherwise specified in the Company Act and the Articles of Incorporation, resolutions shall be adopted by a majority of the votes represented by the attending shareholders. The resolution shall be deemed adopted and shall have the same effect as if it were voted by casting

ballots if no objection is voiced after inquiry by the chairman.

XVII. When there is an amendment or an alternative to the same proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

XVIII. During the process of the meeting, the chairman may announce a recess at an appropriate time. During the meeting, when an airstrike alarm, earthquake, fire or other major disaster occurs, the meeting will be terminated or suspended with attendants evacuated. After the situation is clear, the chairman may announce the meeting time as appropriate.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within five days without further notice or announcement.

XIX. The chair may direct the inspectors (or security personnel) to help maintain order at the meeting place. If the matters do not provide this rule, it shall be pursuant to the Company Act and other laws and regulations.

XX. Matters relating to the resolutions of a Shareholders Meeting shall be recorded in the meeting minutes. The meeting minutes shall be distributed to each shareholder within 20 days after the termination of the meeting. Electronic measures or announcement may be adopted to print and distribute meeting minutes. Distribution of the meeting minutes as described in the preceding paragraph may be conducted by uploading them to the MOPS.

The meeting minutes shall accurately record the meeting date, and place of the meeting, the chair's full name, and the resolutions. Such minutes, together with the attendance book or card and the letters of representative appointment, shall be filed and kept.

XXI. Any matters not sufficiently provided for in these Rules shall be handled in accordance with the Company Act, the Company's Articles of Incorporation, and other applicable laws or regulations.

XXII. The Rules, along with any amendments hereto, shall be implemented after adoption by Shareholders Meetings.

**SOFTSTAR ENTERTAINMENT INC.**  
**Shareholdings of All Directors**

- I. The number of issued shares was 49,294,530 shares.
- II. Pursuant to Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the Company has set up three Independent Directors, and all Directors other than the Independent Directors have reduced the number of shares held according to the preceding paragraph to 80%. The minimum number of shares that all Directors should hold is 3,943,562 shares.
- III. The numbers of shares held by the Directors individually and by all Directors as recorded in the shareholders' register as of the closing date, April 12, 2019, is disclosed in the table below: complied with percentage required by law.

Record date: April 12, 2019

Title	Name	shares held
Chairman:	Tu, Chun-Kuang	0
Director	Angel Fund (ASIA) Investments Limited (British Cayman Islands)	9,018,562
Director	China Development Mobile Technology Ltd. (British Virgin Islands)	1,816,500
Director	KAL Holdings Corp. (Samoa)	2,000
Independent Director	Hung, Pi-Lien	0
Independent Director	Tsai, Cheng-Yun	0
Independent Director	Hsieh Guo-Dong	0
<b>Total</b>		<b>10,837,062</b>