

Stock Code: 6111



SOFTSTAR ENTERTAINMENT INC.

Handbook for the 2020 Annual Meeting of Shareholders

Meeting Time: June 9, 2020

Place: Room 101 A&B, 1 F., No. 1, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City (Taipei International Convention Center)

SOFTSTAR ENTERTAINMENT INC.

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SOFTSTAR ENTERTAINMENT INC.
Procedure for the 2020 Annual Meeting of Shareholders

- I. Call the meeting to order
- II. Chairperson remarks
- III. Report Items
- IV. Proposals
- V. Discussion (I)
- VI. Election
- VII. Discussion (II)
- VIII. Questions and Motions
- IX. Meeting Adjourned

SOFTSTAR ENTERTAINMENT INC.
2020 Annual Shareholders Meeting Agenda

Meeting Time: 9:00 A.M., June 9, 2020 (Tuesday)

Place: Room 101 A&B, 1 F., No. 1, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City (Taipei International Convention Center)

- I. Call the meeting to order
- II. Chairperson remarks
- III. Report Items
 - (I) 2019 Business Report
 - (II) Audit Committee's Review Report on the 2019 Financial Statements
 - (III) Report on conducting of private placement of securities.
 - (IV) Report on 2019 employees' profit sharing bonus and Directors' compensation.
 - (V) Report on conducting of 2019 endorsements/guarantees.
- IV. Proposals
 - (I) Adoption of the 2019 Business Report and Financial Statements.
 - (II) Adoption of the Proposal for Distribution of 2019 Profits
- V. Discussion (I)
 - (I) Discussion on the Company's 2019 earnings and transfer of capital reserve for capital increase and issuance of new stocks.
 - (II) Proposal for a cash offering by private placement.
 - (III) Amendments to the "Operational Procedures for Loaning of Company Funds."
 - (IV) Amendments to the "Operational Procedures for Endorsements/Guarantees."
 - (V) Amendments to the "Rules and Procedures of Shareholders' Meetings."
- VI. Election
To elect Directors (including Independent Directors).
- VII. Discussion (II)
Proposal of Release the Prohibition on Directors and Representative from Participation in Competitive Business
- VIII. Questions and Motions
- IX. Meeting Adjourned

Report Items

Report 1: 2019 Business Report

Explanation: Please refer to #page 12-14# of the Handbook (Attachment I).

Report 2: Audit Committee's Review Report on the 2019 Financial Statements

Explanation: Please refer to #page 15# of the Handbook (Attachment II).

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

Explanation: On June 10, 2019, 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 issued.

According to the resolution, the private placement should be executed three times within 1 year after the resolution of the shareholders' meeting.

The case will expire on June 9, 2020, and will not be processed after the resolution of the Board of Directors on March 5, 2020.

Report 4: Report on 2019 employees' profit sharing bonus and Directors' compensation.

Explanation: I. According to the Company's Articles of Incorporation and the Company's 2019 profitability, the Company's Remuneration Committee and the Board of Directors approved to distribute 2019 employees' profit sharing bonus of NT\$16,970,214 in cash, accounting for 5% of 2019 profit, and Directors' compensation of NT\$3,394,043 in cash, accounting for 1% of 2019 profit.

Report 5: Report on conducting of 2019 endorsements/guarantees

Explanation: I. The endorsements/ guarantees made by the Company in 2019 are as below:

Subject of endorsements/guarantees	Endorsement/guarantee amount (Maximum endorsement/guarantee balance)	Actual Expenditure
SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	NT\$54,000 thousand	NT\$0
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	NT\$213,780 thousand	NT\$58,446 thousand
Total	NT\$267,780 thousand	NT\$58,446 thousand

II. In accordance with the Company's Operational Procedures for Endorsements/Guarantees, the cumulative endorsement/guarantee amount shall not exceed the Company's net worth; and the endorsement/guarantee amount for a single enterprise shall not exceed the Company's net worth either. The maximum balance of the Company's endorsement/guarantee in 2019 was NT\$267,780 thousand and the maximum endorsement/guarantee balance for a single enterprise was NT\$ 213,780 thousand. As of December 31, 2019, both the above endorsement/guarantee obligations had been relieved.

Proposals

Proposal 1: Adoption of the 2019 Business Report and Financial Statements.

Proposed by the Board of Directors

Explanation: I. The Company's 2019 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 2019 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 12-14# (Attachment I) and #16-36# (Attachment III) of the Handbook for the abovementioned statements and reports.

III. Please recognize.

Resolution:

Proposal 2: Adoption of the Proposal for Distribution of 2019 Profits

Proposed by the Board of Directors

Explanation I. For the year ended December 31, 2019 earnings distribution proposal is proposed as follows:

SOFTSTAR ENTERTAINMENT INC.

Earnings Distribution Proposal

2019

Unit: NT\$

Unappropriated Retained Earnings of Previous Years		0
Plus (less):		
Remeasurement of defined obligation	327,526	
Changes in ownership interests in subsidiaries	(962,812)	
Net income of 2019	326,039,369	
Legal reserve	(32,540,408)	
Special reserve	(152,214,305)	
Distributable earnings for the period		140,649,370
Less:		
Shareholder dividend-stock (NT\$1.8 per share)	(88,719,350)	
Shareholder dividend-cash (NT\$0.2 per share)	(9,857,706)	
Unappropriated retained earnings		42,072,314

Chairman:
Tu, Chun-Kuang

President:
Tsay, Ming-Hong

Chief Accountant:
Hsieh, Ping-Hui

II The annual after-tax net profit for 2019 was NT\$326,039,369. According to law, the legal reserve and special reserve were appropriated; and after the retained

earnings at the beginning of the period were added, the amount of the distributable earnings was NT\$140,649,370. Therefore, it is proposed to pay shareholders dividends of NT\$98,577,056, including a stock dividend of NT\$88,719,350 (NT\$1.8 per share) and a cash dividend of NT\$9,857,706 (NT\$ 0.2 per share). After the earnings distribution, the balance of the earnings at the end of the period was NT\$42,072,314.

- III. The aforesaid shareholder allotment and distribution yield are based on the estimated number of shares totaling 49,288,530 that can participate in the distribution as of March 5, 2020. In case that the aforesaid shareholder allotment and distribution yield have to be adjusted due to the changes in the number of shares outstanding caused by the factors such as share repurchase, transfer of treasury stock, cancellation of shares, and capital increase, the shareholders' meeting is proposed to authorize the Board of Directors to handle it at its sole discretion.
- IV. The current cash dividends are calculated pursuant to the distribution ratio and rounded down to the whole dollar amounts; the fractional amounts are aggregated and recorded as other income of the Company.
- V. The shareholders' meeting is proposed to authorize the Board of Directors to determine the base date for ex-rights and ex-dividends.
- VI. If the matters related to the above earnings distribution need to be changed by the approval of the competent authority or due to other factors, the shareholders' meeting is proposed to authorize the Board of Directors to handle them.
- VII. Please recognize.

Resolution:

Discussion (I)

Proposal 1: Discussion for the Company's 2019 earnings and transfer of capital reserve for capital increase and issuance of new stocks. Proposed by the Board of Directors

- Explanation:
- I. The shareholders' meeting is proposed to appropriate NT\$88,719,350 from distributable earnings to increase the capital to issue 8,871,935 new shares of common stock, with a denomination of NT\$10 yuan per share, and to appropriate NT\$ 49,288,530 from the premium on capital surplus to issue 4,928,853 new shares, with a denomination of NT\$10 per share. The total number of new shares of common stock to be issued is 13,800,788.
 - II. Calculation is made based on the name of the shareholders and the number of shares they hold listed in the register of shareholders on the base date of the allotment. For example, if the calculated is based on the number of shares totaling 49,288,530 that can participate in the allotment as of March 5, 2020, 180 shares would be allotted for every thousand shares in the case of capital increase by earnings, and 100 shares for every thousand shares in the case of capital increase by capital reserve.
 - III. In the case of odd lots in the preceding new share allotment by earnings and capital reserve, the shareholders shall register to make up a share within 5 days from the date of the transfer of the shares; or otherwise the odd lots will be converted into cash according to their denomination (rounded down to a New Taiwan dollar) and the remaining shares are to be subscribed as per their denomination by specific shareholders with whom the Chairman is to negotiate. For the shareholders who participate in the book-entry distribution of shares, the odd lots amount will be used as a fee for handling the book-entry distribution.
 - IV. In case that the aforesaid dividend rate has to be adjusted due to the changes in the number of shares outstanding caused by the factors such as share repurchase, transfer of treasury stock, cancellation of shares, and capital increase, the shareholders' meeting is proposed to authorize the Board of Directors to handle it at the sole discretion.
 - V. The rights and obligations of the shares newly issued are the same as original shares, and the shares issued are not physical.
 - VI. After the proposal is approved by the shareholders' meeting and the competent authority, the Board of Directors is authorized to set a base date for capital increase.
 - VII. If any of the above-mentioned issues related to the issuance of new shares are changed upon the approval of the competent authority or due to other factors, the shareholders' meeting is proposed to authorize the Board of Directors to handle them.
 - VIII. Please make the resolution

Resolution:

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

Proposed by the Board of Directors

Explanation: I. To repay bank borrowings and enrich the Company'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 annual 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 1 year.

- (I) The basis and reasonableness of the private placement pricing:
1. The reference price of privately placed common shares shall be the higher of the following two calculations:
 - (1) The simple average closing price of the common shares of the Company for 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 of the Company 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 of the privately placed common shares shall not be lower than 80% of the reference price.
 3. It is proposed that the Board of Directors should be authorized by the shareholders' meeting to determine the actual date of determination of the private placement price and actual private placement price based on the specific person and market situation under the premise that the price of the privately placed common shares shall not be lower than 80% of the aforesaid reference price and the denomination of the shares.
 4. Given the low liquidity of the privately placed common shares, the aforesaid determination of the private placement price is based on the Directions for Public Companies Conducting Private Placements of Securities; therefore, it 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 Order No. 0910003455 issued by FSC on June 13, 2002.
1. If the placees are insiders or related parties: No insiders or related parties were involved in 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: The reasons for not using a public offering:

1. The reasons for not using a public offering:
Currently, the Company has to invest in working capital of the group; considering the timeliness, convenience, and issuance cost of raising capital, the Company plans to raise capital through private placement. The plan for private placement is expected to strengthen the Company's competitiveness and productivity and benefit 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 annual 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 annual 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 3,000,000 shares	To repay bank borrowings and enrich the Company's working capital	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 3,000,000 shares	To repay bank borrowings and enrich the Company's working capital	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 4,000,000 shares	To repay bank borrowings and enrich the Company's working capital	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 3 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 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) The total number of the privately placed common shares planned does not exceed 10 million shares, the highest limit. The private placement is expected to be carried out three times at an appropriate time within one year depending on the Company's operations, capital and financial situations after the Company's 2020 annual shareholders' meeting passes the resolution and authorizes the Board of Directors to handle it; the Company will do its utmost to carefully consider its interests and the characteristics of private equity investors, and consolidate its operating rights, with the ultimate goal of protecting shareholders' rights, improving the financial structure, and stabilizing the operating growth.
- (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 these private placed ordinary shares on behalf of the Company and handle all matters relevant to the issuance of these private placed ordinary shares.

II. The information on the Company's proposal for private placement of securities that should be explained has been published on the Market Observation Post System (website <http://mops.twse.com.tw>, please click (Investment Section/Private Placement)) in accordance with the provisions of Article 43-6 of the Securities Exchange Act.

III. Please make the resolution

Resolution:

Proposal 3: Amendments to the “Operational Procedures for Loaning of Company Funds.”

Proposed by the Board of Directors

Explanation: I. Revised in accordance with the Order No.1080304826 issued by Financial Supervisory Commission on March 7, 2019.

Please refer to #page 37-42# (Attachment IV) of the Handbook for the comparison table of articles before and after amendment.

II. Please make the resolution.

Resolution:

Proposal 4: Amendments to the “Operational Procedures for Endorsements/Guarantees.”

Proposed by the Board of Directors

Explanation: I. Revised in accordance with the Order No.1080304826 issued by Financial Supervisory Commission on March 7, 2019.

Please refer to #page 43-47# (Attachment V) of the Handbook for the comparison table of articles before and after amendment.

II. Please make the resolution.

Resolution:

Proposal 5: Amendments to the “Rules and Procedures of Shareholders' Meetings.”

Proposed by the Board of Directors

Explanation: I. Revised in response to the demand of the Company's operation and referring to the Order No.10900500261 issued by Taipei Exchange on January 13, 2020.

Please refer to #page 48-50# (Attachment VI) of the Handbook for the comparison table of articles before and after amendment.

II. Please make the resolution.

Resolution:

Election

Cause: Re-election of all the Company's Directors (including Independent Directors)

Proposed by the Board of Directors

- Explanation:
- I. The term of the current Directors of the Company will expire on June 21, 2020, and the 2020 annual shareholders' meeting is proposed to handle the re-election of all the Company's Directors
 - II. The Company's election of Directors (including Independent Directors) adopts the candidate nomination system. Seven Directors (including three Independent Directors) are to be elected in the annual shareholders' meeting and the newly elected Directors will take office immediately after the shareholders' meeting, with a term of 3 years from June 9, 2020 to June 8, 2023.
 - III. For the list of candidates for Directors (including Independent Directors) and their relevant qualifications, experience and number of shares held, please refer to #page 51# (Attachment VII) of the Handbook.

Election Results

Discussion (II)

Cause: 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 Article 209 of the Company Act, "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. To leverage on the experience of the talents of the Company's Board of Directors, the Proposal of Release the Prohibition on the Company's New Directors and Representative from Participation in Competitive Business has been submitted to the Annual Meeting of Shareholders in accordance with the regulations. Details of which will be explained before the discussion at the shareholders meeting.
 - III. Please make the resolution

Resolution:

Questions and Motions

Adjournment

Overview of 2019 Operations and 2020 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 4" (Mainland China), "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains (Mobile)" (Taiwan, Hong Kong, Macau, and Mainland China), "Richman 10 Single Player Game on Mobile" (Steam platform) and "Legend of the Zyca RPG Mobile Game" (worldwide) were released in 2019 as well. The mobile games of Legend of Sword series, Xuan Yuan Sword series, and Richman series as well as their film and television licenses are part of the revenue. In the future, the Company will strengthen the IP operations of "Sword and Fairy," "Xuan Yuan Sword," "Richman," "Stardom," "Tun Town," and "Empire of Angels" through the development and operations of mobile games, single player games, and online games, and invest in the fields of audiovisual and cultural creativity. Through licensing to and cooperation with first-tier large-scale companies from Taiwan and Mainland China, the Company may ensure that the products of Softstar will never miss out on opportunities in any field or platform, and it will maintain its high investment and quality standards while gaining support from markets 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 2019 operating performance and 2020 operation prospects are as follows:

I. Overview of 2019 business results

(I) Overview of 2019 business results

The Company's 2019 consolidated operating income was NT\$565,818 thousand.

(II) Budget execution and revenue & expenditure:

Unit: NT\$1,000

Item	2019 Actual Amount
Net sales	565,818
Cost of goods sold	(91,002)
Gross profit	474,816
Operating expenses	(692,396)
Operating income (loss)	(217,580)
Non-operating income and expenses	553,447
Profit (loss) before income tax	335,867
Income tax expenses	(12,050)
Net income (loss)	323,817
Net income (loss) attributable to:	
stockholders of the parent company	326,039
Non-controlling equity	(2,222)

(III) Profitability analysis:

Item	2019
Return on total assets	28.28%
Return on total shareholder's equity	50.15%
Operating income to capital	(44.14)%
Pretax income to capital	68.13%
Net income to sales	57.23%
Earnings per share after tax (NT\$)	6.77

(IV) Research and development:

The Company is committed to the continual development of self-made products, including mobile games, standalone games, and online game development for "Sword and Fairy," "Xuan Yuan Sword," "Richman," "Stardom," "Tun Town," and "Empire of Angels." In 2019, a total of NT\$324,943 thousand was invested in research and development, accounting for 47% of the Company's operating expenses.

II. Overview of 2020 business plan

(I) Operating guidelines

◎ Research and development of games

• Single player 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 the new generation "Sword and Fairy 7" and "Xuan Yuan Sword 7" single player 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" have been at the later stage of research and development. In 2019, the "Richman 10 Single Player Game on Mobile" (Steam platform) was released.

• Mobile games:

In April 2020, "Richman 10 Single Player Game on Mobile" was released globally (excluding China). In 2020, "Sword and Fairy: Nine Wilds (Mobile)" is expected to be launched. In addition, the Company will continue to devote to research and development, establish cooperation with other developers by licensing in terms of mobile game development, and expand cooperation with 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 2019, the main product released was the "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains" mobile game (Taiwan, Hong Kong, Macao, and Mainland China). The Company's IP brand will work with more cross-disciplinary companies to create more revenue and profit.

◎ Game operation

Operate standalone games, client games, web games, online games and mobile games in Taiwan, Hong Kong, and Macau. At present, the main products are "Fairy and Sword 5 (Mobile)," "Sword and Fairy 3D (Mobile)," "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains (Mobile)" and "Yakuza."

(II) Projected sales

It is expected to launch several mobile games and single player games in 2020, as well as increase the licensing revenue which can assist in the Company's revenue this year.

(III) Major operations & sales policies

◎ Actively expand in Mainland China and overseas markets, seek licensing partners to grow market share and revenue.

◎ Maintain high-quality of products for the right market image.

- ◎ Continue to expand channels 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. Impacts 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 and 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!

Best wishes

to all shareholders

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 2019 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

2020 Annual Meeting of Shareholders

Chairman of the Audit Committee: Hung, Pi-Lien

Apr. 23th, 2020

English Translation of a Report Originally Issued in Chinese

Auditor Report of Independent Auditors

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, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, 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 2019 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.

Losing Control of a Subsidiary

On April 25th, 2018, the Board of the Directors approved the capital injection plan of its subsidiary, SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING). SOFTSTAR BEIJING was seeking to increase its capital in order to introduce long-term partners. All of the shares were subscribed by CMGE TECHNOLOGY GROUP LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Group. The total amount of capital injection was RMB\$213,000 thousand. After the capital injection, CMGE hold 51% of total shares in SOFTSTAR BEIJING. The Company hold 49% of total shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC. On June 3rd, 2019, the Company lost its control of SOFTSTAR BEIJING and recognized the disposal gain NTD641,552 thousand. As the transaction amount was significant and the remaining 49% shares in SOFTSTAR BEIJING involved significant estimate of the purchase price allocation. Therefore, we consider this as a key audit matter.

Our audit procedures included, but were not limited to:

1. Obtaining the stock purchase agreement, the Board of Directors' meeting minutes, and the accounting entry and its voucher to validate the reasonableness;
2. Assessing the reasonableness of the timing when the Company lost its control of the subsidiary and reviewing the ending balance of SOFTSTAR BEIJING on that day;
3. Assessing the prospective financial information utilized in the purchase price allocation report and comparing the prospective financial information with the Company's historical financial information and the industry's expectation to validate the reasonableness;
4. Obtaining the third-party appraisal's purchase price allocation report of SOFTSTAR BEIJING, engaging internal valuation expert to assist us in assessing the reasonableness of the method, model, parameter and assumptions used in the report, and recalculating the purchase price allocation amount to validate its reasonableness.

We also considered the appropriateness of the consolidated financial statements disclosure regarding the losing control in a subsidiary in Note 6(24).

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 16, “Lease” starting from January 1, 2019, 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 2019 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 its standalone financial statement for the years ended December 31, 2019 and 2018 with an unqualified opinion with emphasis of matter from us.

Yu, Chien-Ju
Yang, Chih-Huei

Ernst & Young, Taiwan
March 5, 2020

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		Liabilities and Equity	Notes	As of	
		December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018
Current assets				Current liabilities			
Cash and cash equivalents	4 and 6	\$171,579	\$180,410	Short-term borrowings	6	\$-	\$62,425
Contract assets, current	4 and 6	72,418	112,692	Contract liabilities, current	4 and 6	47,690	91,483
Notes receivable, net	4	1,783	1,231	Accounts payable		91,389	68,770
Other notes receivable-related parties, net	4 and 7	3,123	-	Accounts payable-related parties	7	36,437	756
Accounts receivable, net	4 and 6	109,224	112,182	Other payables	6	71,248	87,158
Accounts receivable-related parties, net	4, 6 and 7	11	5,161	Other payables-related parties	7	67	33
Other receivables	4	24	2,094	Current income tax liabilities	4 and 6	17,549	14,485
Other receivables-related parties	4 and 7	1,341	181	Lease liabilities, current	4, 6 and 7	25,430	-
Current income tax assets	4	4,149	1,342	Current portion of long-term borrowings	4, 6 and 8	50,350	36,881
Inventories, net	4 and 6	1,685	1,817	Other current liabilities	6	1,314	48,848
Prepayment	6 and 7	51,869	140,637	Total current liabilities		<u>341,474</u>	<u>410,839</u>
Other financial assets, current	8	1,493	45,113				
Total current assets		<u>418,699</u>	<u>602,860</u>	Non-current liabilities			
Non-current assets				Contract liabilities, non-current	4 and 6	-	115,967
Financial assets at fair value through other comprehensive income, non-current	4 and 6	55,992	189,506	Long-term borrowings	4, 6 and 8	57,392	47,721
Investments accounted for using the equity method	4 and 6	628,614	16,528	Deferred tax liabilities	4 and 6	1,377	604
Contract assets, non-current	4 and 6	3,999	101,286	Lease liabilities, non-current	4 and 6	12,459	-
Property, plant and equipment, net	4 and 6	12,070	23,423	Other non-current liabilities		313	314
Right-of-use assets	4 and 6	37,891	-	Net defined benefit liabilities	4 and 6	20,986	21,228
Intangible assets	4 and 6	8,412	12,586	Total non-current liabilities		<u>92,527</u>	<u>185,834</u>
Deferred tax assets	4 and 6	33,969	4,081	Total liabilities		<u>434,001</u>	<u>596,673</u>
Refundable deposits		7,999	11,846	Equity attributable to the parent company	4 and 6		
Prepayment for investments		1,296	-	Common stock		492,945	477,945
Costs to fulfill a contract	4 and 6	-	98,043	Additional paid-in capital		162,992	179,197
Other financial assets, non-current	8	30,000	23,000	Retained earnings			
Total non-current assets		<u>820,242</u>	<u>480,299</u>	Legal reserve		14,582	1,925
				Special reserve		129,557	15,648
				Unappropriated earnings		325,404	126,566
				Other components of equity		(320,583)	(314,911)
				Total equity attributable to the parent company		<u>804,897</u>	<u>486,370</u>
				Non-controlling interests		<u>43</u>	<u>116</u>
				Total equity		<u>804,940</u>	<u>486,486</u>
Total assets		<u>\$1,238,941</u>	<u>\$1,083,159</u>	Total liabilities and equity		<u>\$1,238,941</u>	<u>\$1,083,159</u>

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	For the Years Ended December 31,	
		2019	2018
Net sales	4, 5, 6 and 7	\$565,818	\$855,738
Cost of goods sold		(91,002)	(81,510)
Gross profit		474,816	774,228
Operating expenses	6 and 7		
Sales and marketing expenses		(166,881)	(187,268)
General and administrative expenses		(139,568)	(122,069)
Research and development expenses		(324,943)	(308,401)
Expected credit losses		(61,004)	(10,034)
Subtotal		(692,396)	(627,772)
Operating income		(217,580)	146,456
Non-operating income and expenses			
Other income	6	7,872	9,145
Other gains and losses	6	618,197	(8,147)
Finance costs	6	(5,649)	(1,674)
Share of profit or loss of associates and joint ventures accounted for using equity method		(66,973)	(7,218)
Subtotal		553,447	(7,894)
Profit before income tax		335,867	138,562
Income tax expense	4 and 6	(12,050)	(53,135)
Net income		323,817	85,427
Other comprehensive income (loss)	4 and 6		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		328	(2,585)
Unrealized gains or losses from financial assets at fair value through other comprehensive loss		(133,514)	(88,089)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of foreign operations		9,154	(433)
Total other comprehensive loss, net of tax		(124,032)	(91,107)
Total comprehensive income (loss)		\$199,785	\$(5,680)
Net income (loss) attributable to:			
Stockholders of the parent		\$326,039	\$87,823
Non-controlling interests		(2,222)	(2,396)
		\$323,817	\$85,427
Comprehensive loss attributable to:			
Stockholders of the parent		\$202,007	\$(3,284)
Non-controlling interests		(2,222)	(2,396)
		\$199,785	\$(5,680)
Earnings per share (NTD)	4 and 6		
Earnings per share-basic		\$6.77	\$1.84
Earnings per share-diluted		\$6.65	\$1.84

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, 2019 and 2018
(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 Loss	Unrealized Gains or Losses from Available-for-Sale Financial Assets	Unearned Stock-Based Employee Compensation	Total	Non-Controlling Interests	Total
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 profit (loss) in 2018	-	-	-	-	87,823	-	-	-	-	87,823	(2,396)	85,427
Other comprehensive loss in 2018	-	-	-	-	(2,585)	(433)	(88,089)	-	-	(91,107)	-	(91,107)
Total comprehensive income (loss)	-	-	-	-	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
Balance as of January 1, 2019	\$477,945	\$179,197	\$1,925	\$15,648	\$126,566	\$(7,874)	\$(149,537)	\$-	\$(157,500)	\$486,370	\$116	\$486,486
Appropriation and distribution of 2018 retained earnings												
Legal reserve	-	-	12,657	-	(12,657)	-	-	-	-	-	-	-
Special reserve	-	-	-	113,909	(113,909)	-	-	-	-	-	-	-
Net income (loss) in 2019	-	-	-	-	326,039	-	-	-	-	326,039	(2,222)	323,817
Other comprehensive income (loss) in 2019	-	-	-	-	328	9,154	(133,514)	-	-	(124,032)	-	(124,032)
Total comprehensive income (loss)	-	-	-	-	326,367	9,154	(133,514)	-	-	202,007	(2,222)	199,785
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(19)	(19)
Changes in ownership interests in subsidiaries	-	(1,205)	-	-	(963)	-	-	-	-	(2,168)	2,168	-
Share-based payment transactions	15,000	(15,000)	-	-	-	-	-	-	118,688	118,688	-	118,688
Balance as of December 31, 2019	\$492,945	\$162,992	\$14,582	\$129,557	\$325,404	\$1,280	\$(283,051)	\$-	\$(38,812)	\$804,897	\$43	\$804,940

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 CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Description	For the Years Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Net income before tax	\$335,867	\$138,562
Adjustments for:		
Depreciation	36,894	13,679
Amortization	9,076	12,132
Expected credit losses	61,004	10,034
Interest expense	5,649	1,674
Interest income	(1,114)	(615)
Dividend income	-	(1,131)
Share-based payments expense	118,688	(2,629)
Share of net loss of associates and joint ventures accounted for using equity method	66,973	7,218
Loss on disposal of property, plant and equipment	18	119
Loss on disposal of intangible assets	-	36
Loss (gain) on disposal of investment	(641,077)	5
Impairment loss from non-financial assets	9,426	363
Changes in operating assets and liabilities:		
Contract assets	3,641	(195,277)
Notes receivable, net	(552)	93
Accounts receivable, net	(76,574)	(16,176)
Accounts receivable-related parties, net	5,150	(5,303)
Other receivables	850	1,396
Other receivables-related parties	(9,908)	(441)
Inventories, net	132	1,560
Prepayment	53,178	(26,970)
Costs to fulfill a contract	(62,453)	(78,282)
Contract liabilities	41,265	(9,453)
Notes payable	-	(694)
Accounts payable	22,619	17,711
Accounts payable-related parties	38,559	755
Other payables	21,152	10,366
Other payables-related parties	5,259	-
Other current liabilities	72	(169)
Net defined benefit liabilities	86	57
Cash used in operations	43,880	(121,380)
Interest received	1,114	557
Dividend received	-	1,131
Interest paid	(5,612)	(1,660)
Income tax paid	(23,563)	(40,865)
Net cash provided by/(used in) operating activities	15,819	(162,217)
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income capital reduction and return of stock	-	14,380
Acquisition of investments accounted for using equity method	-	(7,350)
Increase in prepayment for investments	(1,296)	-
Disposal of subsidiaries (net of cash acquired)	(583,737)	(5)
Acquisition of property, plant and equipment	(2,889)	(6,612)
Proceeds from disposal of property, plant and equipment	91	2,433
Decrease in refundable deposits	1,882	173
Acquisition of intangible assets	(7,925)	(6,705)
Proceeds from disposal of intangible assets	-	145
Other financial assets	36,620	(40,700)
Net cash used in investing activities	(557,254)	(44,241)
Cash flows from financing activities:		
Increase in short-term borrowings	125,706	62,425
Decrease in short-term borrowings	(95,000)	-
Proceeds from long-term borrowings	80,000	50,000
Repayment of long-term borrowings	(56,860)	(28,086)
Increase in guarantee deposits received	502,558	47,605
Repayment of the principal portion of lease liabilities	(29,359)	-
Net cash provided by financing activities	527,045	131,944
Net foreign exchange difference	5,559	(366)
Net decrease in cash and cash equivalents	(8,831)	(74,880)
Cash and cash equivalents at beginning of year	180,410	255,290
Cash and cash equivalents at end of year	\$171,579	\$180,410

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

English Translation of a Report Originally Issued in Chinese

Auditor Report of Independent Auditors

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, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and its financial performance and cash flows for the years ended December 31, 2019 and 2018, 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 2019 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 revenue recognition of royalties 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:

5. Understanding the approach in which royalty revenue is recognized, evaluating and testing the internal controls regarding the recognition of royalties;
6. 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;
7. 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;
8. 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.

The Company recognized NT\$10,756 thousand, which represents 3.30% of the Company's total profit for the year ended December 31, 2019 in share of gain of associates and joint ventures accounted for using equity method from subsidiary LOFTSTAR INTERACTIVE ENTERTAINMENT INC.. The aforementioned amount is 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. 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:

4. Understanding the process of allocation and recognition of revenue regarding recharging game credits, and using credits to purchase virtual items;
5. 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.
6. 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 business combination disclosure, please refer to Note 5 and 6 of the consolidated financial statements.

Investments accounted for using the equity method -Softstar International Inc.

The Company recognized NT\$600,452 thousand, which represents 184.17% of the Company's total profit for the year ended December 31, 2019 in share of gain of associates and joint ventures accounted for using equity method from subsidiary Softstar International Inc. The aforementioned amount is material to the Company's financial statements, therefore we consider Softstar International Inc.'s losing control of a subsidiary as a key audit matter.

On April 25th, 2018, the Board of the Directors approved the capital injection plan of its subsidiary, SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING). SOFTSTAR BEIJING was seeking to increase its capital in order to introduce long-term partners. All of the shares were subscribed by CMGE TECHNOLOGY GROUP LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Group. The total amount of capital injection was RMB\$213,000 thousand. After the capital injection, CMGE hold 51% of total shares in SOFTSTAR BEIJING. The Company hold 49% of total shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC. On June 3rd, 2019, the Company lost its control of SOFTSTAR BEIJING and recognized the disposal gain NTD641,552 thousand. As the transaction amount was significant and the remaining 49% shares in SOFTSTAR BEIJING involved significant estimate of the purchase price allocation. Therefore, we consider this as a key audit matter.

Our audit procedures included, but were not limited to:

5. Obtaining the stock purchase agreement, the Board of Directors' meeting minutes, and the accounting entry and its voucher to validate the reasonableness;
6. Assessing the reasonableness of the timing when the Company lost its control of the subsidiary and reviewing the ending balance of SOFTSTAR BEIJING on that day;
7. Assessing the prospective financial information utilized in the purchase price allocation report and comparing the prospective financial information with the Company's historical financial information and the industry's expectation to validate the reasonableness;
8. Obtaining the third-party appraisal's purchase price allocation report of SOFTSTAR BEIJING, engaging internal valuation expert to assist us in assessing the reasonableness of the method, model, parameter and assumptions used in the report, and recalculating the purchase price allocation amount to validate its reasonableness.

We also considered the appropriateness of the business combination disclosure, please refer to Note 6 of the consolidated financial statements.

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 16, "Lease" starting from January 1, 2019, 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 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:

7. 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.

8. 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.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. 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.
11. 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 2019 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 5, 2020

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		Liabilities and Equity	Notes	As of	
		December 31, 2019	December 31, 2018			December 31, 2019	December 31, 2018
Current assets				Current liabilities			
Cash and cash equivalents	4 and 6	\$114,752	\$119,960	Short-term borrowings	6	\$-	\$30,000
Contract assets, current	4 and 6	72,418	37,640	Contract liabilities, current	4 and 6	24,805	13,975
Accounts receivable, net	4 and 6	99,065	69,067	Accounts payable		82,875	58,009
Accounts receivable-related parties, net	4, 6 and 7	28,740	15,701	Accounts payable-related parties	7	43,564	1,421
Other receivables	4	-	183	Other payables	6	61,846	38,981
Other receivables-related parties	7	9,572	11,311	Other payables-related parties	7	-	2,849
Current income tax assets		4,149	1,313	Current income tax liabilities	4 and 6	17,549	11,184
Prepayment	6 and 7	46,246	73,156	Lease liabilities, current	4, 6 and 7	20,496	-
Other financial assets, current	8	21	43,641	Current portion of long-term borrowings	4, 6 and 8	50,350	36,881
Total current assets		<u>374,963</u>	<u>371,972</u>	Other current liabilities		1,330	1,075
				Total current liabilities		<u>302,815</u>	<u>194,375</u>
Non-current assets				Non-current liabilities			
Financial assets at fair value through other comprehensive income, non-current	4 and 6	41,274	153,004	Long-term borrowings	4, 6 and 8	57,392	47,721
Investments accounted for using the equity method	4 and 6	657,713	118,335	Deferred tax liabilities	4 and 6	1,377	604
Contract assets, non-current	4 and 6	3,999	65,231	Lease liabilities, non-current	4 and 6	9,832	-
Property, plant and equipment	4 and 6	10,396	14,271	Net defined benefit liabilities	4 and 6	20,986	21,228
Right-of-use assets	4 and 6	30,348	-	Other noncurrent liabilities	4 and 6	2,540	11,549
Intangible assets	4 and 6	10,230	6,302	Total non-current liabilities		<u>92,127</u>	<u>81,102</u>
Deferred tax assets	4 and 6	33,969	4,081				
Refundable deposits		5,651	5,651	Total liabilities		<u>394,942</u>	<u>275,477</u>
Prepayment for investments		1,296	-				
Other financial assets, non-current	4 and 8	30,000	23,000	Equity			
Total non-current assets		<u>824,876</u>	<u>389,875</u>	Common stock	4 and 6	492,945	477,945
				Additional paid-in capital	4 and 6	162,992	179,197
				Retained earnings	4 and 6		
				Legal reserve		14,582	1,925
				Special reserve		129,557	15,648
				Unappropriated earnings		325,404	126,566
				Other components of equity		(320,583)	(314,911)
				Total equity		<u>804,897</u>	<u>486,370</u>
Total assets		<u>\$1,199,839</u>	<u>\$761,847</u>	Total liabilities and equity		<u>\$1,199,839</u>	<u>\$761,847</u>

The accompanying notes are an integral part of the consolidated 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, 2019 and 2018

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

Item	Notes	For the Years Ended December 31,	
		2019	2018
Net sales	4, 5, 6 and 7	\$377,307	\$547,106
Cost of goods sold	7	(142,888)	(39,467)
Gross profit	6 and 7	234,419	507,639
Operating expenses			
Sales and marketing expenses		(62,593)	(41,128)
General and administrative expenses		(101,915)	(56,852)
Research and development expenses		(260,016)	(201,128)
Expected credit losses		(61,000)	(9,881)
Subtotal		(485,524)	(308,989)
Operating income		(251,105)	198,650
Non-operating income and expenses			
Other income	6	5,463	3,644
Other gains and losses	6	(12,287)	(2,254)
Finance costs	6	(4,212)	(1,383)
Share of profit or loss of associates and joint ventures accounted for using equity method	6	582,144	(74,842)
Subtotal		571,108	(74,835)
Profit before income tax		320,003	123,815
Income tax expense	4 and 6	6,036	(35,992)
Net income		326,039	87,823
Other comprehensive income (loss)	4 and 6		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		328	(2,585)
Unrealized gains or losses from financial assets at fair value through other comprehensive loss		(111,730)	(30,073)
Financial assets at fair value through other comprehensive income of associates and joint ventures accounted for using equity method		(21,784)	(58,016)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of foreign operations		9,154	(433)
Total other comprehensive loss, net of tax		(124,032)	(91,107)
Total comprehensive income (loss)		\$202,007	\$(3,284)
Earnings per share (NTD)	4 and 6		
Earnings per share-basic		\$6.77	\$1.84
Earnings per share-diluted		\$6.65	\$1.84

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, 2019 and 2018
(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 Resulting from Translating the Financial Statements of Foreign Operations	Unrealized Gains or Losses from Financial Assets at Fair Value Through Other Comprehensive Loss	Unrealized Gains or Losses from Available-for-Sale Financial Assets	Unearned stock-Based Employee Compensation		
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 loss in 2018	-	-	-	-	(2,585)	(433)	(88,089)	-	-	(91,107)	
Total comprehensive income (loss)	-	-	-	-	85,238	(433)	(88,089)	-	-	(3,284)	
Changes in ownership interests in subsidiaries											
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	
Balance as of January 1, 2019	\$477,945	\$179,197	\$1,925	\$15,648	\$126,566	\$(7,874)	\$(149,537)	\$-	\$(157,500)	\$486,370	
Appropriation and distribution of 2018 retained earnings											
Legal reserve	-	-	12,657	-	(12,657)	-	-	-	-	-	
Special reserve	-	-	-	113,909	(113,909)	-	-	-	-	-	
Net income in 2019	-	-	-	-	326,039	-	-	-	-	326,039	
Other comprehensive income (loss) in 2019	-	-	-	-	328	9,154	(133,514)	-	-	(124,032)	
Total comprehensive income (loss)	-	-	-	-	326,367	9,154	(133,514)	-	-	202,007	
Changes in ownership interests in subsidiaries											
Share-based payment transactions	15,000	(15,000)	-	-	-	-	-	-	118,688	118,688	
Balance as of December 31, 2019	\$492,945	\$162,992	\$14,582	\$129,557	\$325,404	\$1,280	\$(283,051)	\$-	\$(38,812)	\$804,897	

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 CASH FLOWS

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Description	For the Years Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Net income before tax	\$320,003	\$123,815
Adjustments for:		
Depreciation	24,962	4,732
Amortization	8,518	9,976
Expected credit losses	61,000	9,881
Interest expense	4,212	1,383
Interest income	(963)	(407)
Dividend income	-	(1,131)
Share-based payments expense	118,688	(2,629)
Share of net loss of associates and joint ventures accounted for using equity method	(582,144)	74,842
Gain disposal of property, plant and equipment	(56)	(41)
Gain on disposal of investment	(18)	-
Impairment loss from non-financial assets	9,426	-
Changes in operating assets and liabilities:		
Contract assets	14,226	(91,143)
Accounts receivable, net	(78,770)	(16,008)
Accounts receivable-related parties, net	(13,039)	8,669
Other receivables	183	(126)
Other receivables-related parties	(1,263)	(1,958)
Prepayment	30,537	(9,757)
Contract liabilities	10,830	(70,323)
Accounts payable	24,866	12,581
Accounts payable-related parties	42,143	(160)
Other payables	23,713	8,824
Other payables-related parties	(2,849)	2,849
Other current liabilities	255	(619)
Net defined benefit liabilities	86	57
Cash provided by operations	<u>14,546</u>	<u>63,307</u>
Interest received	963	349
Dividend received	-	1,131
Interest paid	(4,175)	(1,369)
Income tax paid	<u>(23,177)</u>	<u>(27,913)</u>
Net cash (used in)/provided by operating activities	<u>(11,843)</u>	<u>35,505</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 investments accounted for using equity method	(25,000)	(60,766)
Increase in prepayments for investments	(1,296)	-
Investments accounted for using the equity method capital reduction and return of stock	37,553	-
Acquisition of property, plant and equipment	(1,080)	(2,537)
Proceeds from disposal of property, plant and equipment	72	246
Acquisition of intangible assets	(12,446)	(2,307)
Other financial assets	<u>36,620</u>	<u>(43,869)</u>
Net cash provided by/(used in) investing activities	<u>34,423</u>	<u>(94,853)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	65,000	30,000
Decrease in short-term borrowings	(95,000)	-
Proceeds from long-term borrowings	80,000	50,000
Repayment of long-term borrowings	(56,860)	(28,086)
Repayment of the principal portion of lease liabilities	<u>(20,928)</u>	<u>-</u>
Net cash (used in)/provided by financing activities	<u>(27,788)</u>	<u>51,914</u>
Net decrease in cash and cash equivalents	(5,208)	(7,434)
Cash and cash equivalents at beginning of year	119,960	127,394
Cash and cash equivalents at end of year	<u>\$114,752</u>	<u>\$119,960</u>

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

SOFTSTAR ENTERTAINMENT INC.

Comparison Table for Amendments to the “Operational Procedures for Loaning of Company Funds”

Article	Before Amendment	After Amendment	Explanation
Article 3	<p>Article 3. Operational Description:</p> <p>I. The aggregate amount of loans and the maximum amount permitted to a single borrower:</p> <ol style="list-style-type: none"> 1. The aggregate amount of loans of the Company is limited to not more than 40% of the Company's net worth, which, however, does not apply to the inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, <u>or the loans of funds provided to the Company by foreign companies whose 100% voting shares are directly or indirectly held by the Company.</u> Such inter-company loans of funds shall be subject to the limit and term of loans of <u>the aggregate amount and a single borrower</u> stipulated in accordance with restrictions. Moreover, the provisions of 1 year or one business cycle are not applicable during its financing period. 2. The Company's aggregate amount of loans due to business transactions shall not exceed 40% of the Company's net worth. The amount of an individual loan granted by the Company to a company or business with business relationship with the Company shall not exceed the business transaction amount in the past 	<p>Article 3. Operational Description:</p> <p>I. The aggregate amount of loans and the maximum amount permitted to a single borrower:</p> <ol style="list-style-type: none"> 1. The aggregate amount of loans of the Company shall not exceed 40% of the Company's net worth, which, however, does not apply to the inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, but such inter-company loans of funds shall be subject to the aggregate amount and term of loans set in accordance with restrictions. Moreover, the provisions of one year or one business cycle are not applicable during its financing period. 2. The Company's aggregate amount of loans due to business transactions shall not exceed 40% of the Company's net worth. The amount of an individual loan granted by the Company to a company or business with business relationship with the Company shall not exceed the business transaction amount in the past year between the parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher. 3. The Company's aggregate amount of 	<p>Amended in accordance with the Order No.1080304826 issued by Financial Supervisory Commission.</p>

Article	Before Amendment	After Amendment	Explanation
	<p>year between the parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher.</p> <p>3. The Company's aggregate amount of loans due to a short-term financing need shall not exceed 40% of the Company's net worth. The amount of an individual loan granted by the Company due to a short-term financing need shall not exceed 30% of the Company's net worth. The term "net worth" as set forth herein is the Company's net worth in the most recent consolidated financial report audited and certified or approved by the certified public accountant.</p> <p>II. Omitted</p> <p>III. Procedures for scrutinizing loans of funds by the Finance Unit The Finance Unit shall evaluate the necessity and rationality of the loan application, the credibility and risk of the borrower. What's more, evaluation should also be made in terms of the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collateral as well as the collateral's value, if any. The handling personnel in the Finance Unit should submit the relevant information on the evaluation and the conditions for the proposed lending/borrowing to the head of the Finance Unit and the general manager, and the</p>	<p>loans due to a short-term financing need shall not exceed 40% of the Company's net worth. The amount of an individual loan granted by the Company due to a short-term financing need shall not exceed 30% of the Company's net worth. The term "net worth" as set forth herein is the Company's net worth in the most recent consolidated financial report audited and certified or approved by the certified public accountant.</p> <p>II. Omitted</p> <p>III. Procedures for scrutinizing loans of funds by the Finance Unit The Finance Unit shall evaluate the necessity and rationality of the loan application, the credibility and risk of the borrower. What's more, evaluation should also be made in terms of the impact towards the Company's operating risk, financial position and shareholders' equity, and the necessity to acquire collaterals as well as the collateral's value, if any. The handling personnel in the Finance Unit should submit the relevant information on the evaluation and the conditions for the proposed lending/borrowing to the head of the Finance Unit and the general manager, and the information is transferred to the Board of Directors for resolution. Loans of funds between the Company and its subsidiaries or between its subsidiaries shall be submitted to the Board for resolution pursuant to the</p>	

Article	Before Amendment	After Amendment	Explanation
	<p>information is transferred to the Board of Directors for resolution. Loans of funds between the Company and its subsidiaries or between its subsidiaries shall be submitted to the Board for resolution pursuant to the regulations, and the Chairman may be authorized, for a specific borrowing counterparty within a certain limit resolved by the Board of Directors and within 1 year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. "A certain limit" as referred to above means that the amount of loans authorized by the Company's Board of Directors to <u>an individual entity</u> shall not exceed 10% of the net worth of the Company or its subsidiary (the lender) in the most recent financial statement except for inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, <u>or loans of funds provided to the Company by foreign companies, whose voting shares are 100% held, directly or indirectly, by the Company.</u> Since the Company has created the position of Independent Director, each Independent Director's opinions shall be taken into full consideration when it lends funds to other parties, and reasons for the consent or objection shall be recorded in the minutes of the Board meeting.</p>	<p>regulations, and the Chairman may be authorized, for a specific borrowing counterparty within a certain limit resolved by the Board of Directors and within 1 year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. "A certain limit" as referred to above means that the amount of loans authorized by the Company's Board of Directors to an individual entity shall not exceed 10% of the net worth of the Company or its' subsidiary (the lender) in the most recent financial statement except inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, or the foreign company, in which 100% voting shares be directly or indirectly held, loans the Company. Since the Company has created the position of Independent Director, each Independent Director's opinions shall be taken into full consideration when it lends funds to other parties, and reasons for the consent or objection shall be recorded in the minutes of the Board meeting.</p>	
Article	Article 5. Information Disclosure	Article 5. Information Disclosure	Amended in

Article	Before Amendment	After Amendment	Explanation
5	<p>I. The Company shall input the monthly capital loan balance of the Company and subsidiaries into Market Observation Post System before the 10th day of every month.</p> <p>II. If the Company's capital loan meets one of the following conditions, it shall input into the Market Observation Post System within 2 days since the date of occurrence:</p> <ol style="list-style-type: none"> 1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statements. 2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statements. 3. The amount of incremental lending by the Company or its subsidiaries exceeds NT\$10 million and 2% of the Company's net worth in the latest financial statements. <p>III. In the event that the subsidiary is a non-public domestic company, the Company shall, on behalf of the subsidiary, carry out the relevant announcement and reporting as stipulated in Subparagraph 3 of the preceding Paragraph.</p> <p>IV. The term "date of occurrence" as used in the Procedures refers to the date of contract signing for the transaction, date of payment, dates of Board of Directors' resolutions, or other date on which the transaction <u>fund loaning</u> party and amount can be ascertained,</p>	<p>I. The Company shall input the monthly capital loan balance of the Company and subsidiaries into Market Observation Post System before the 10th day of every month.</p> <p>II. If the Company's capital loan meets one of the following conditions, it shall input into the Market Observation Post System within 2 days since the date of occurrence:</p> <ol style="list-style-type: none"> 1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statements. 2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statements. 3. The amount of incremental lending by the Company or its subsidiaries exceeds NT\$10 million and 2 percent of the Company's net worth in the latest financial statements. <p>III. In the event that the subsidiary is a non-public domestic company, the Company shall, on behalf of the subsidiary, carry out the relevant announcement and reporting as stipulated in Subparagraph 3 of the preceding Paragraph.</p> <p>IV. The term "date of occurrence" as used in the Procedures refers to the date of contract signing for the transaction, date of payment, dates of Board of Directors' resolutions, or</p>	<p>accordance with the Order No.1080304826 issued by Financial Supervisory Commission.</p>

Article	Before Amendment	After Amendment	Explanation
	<p>whichever is earlier.</p> <p>V. The Company shall evaluate the status of its loaning of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.</p>	<p>other date on which the transaction party and amount can be ascertained, whichever is earlier.</p> <p>V. The Company shall evaluate the status of its loaning of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.</p>	
Article 6	<p>Where the Company's managers and primary personnel violate the Operating Procedures, the violation shall be submitted for assessment in accordance with the company's Regulations Governing Personnel Management and Employee Handbook; a penalty will be imposed according to the severity of the violation.</p> <p><u>The person responsible for the Company who has violated the provisions of Paragraph 1 of Article 2 and 3 governing short-term financing amount shall be liable, jointly and severally with the borrower, for the repayment of the loan and for the damages, if any, to the Company resulted therefrom.</u></p>	<p>Where the Company's managers and primary personnel violate the Operating Procedures, the violation shall be submitted for assessment in accordance with the Company's Regulations Governing Personnel Management and Employee Handbook; a penalty will be imposed according to the severity of the violation.</p>	Amended in accordance with the Order No.1080304826 issued by Financial Supervisory Commission.
Article 7	<p>Implementation and amendment: The Procedures should be <u>approved by more than one-half of all members</u> of the Audit Committee, and submitted to the Board of Directors for resolution and to the shareholders' meeting for approval (<u>If not approved by more than one-half of the members of the Audit Committee, the Procedures can be implemented if approved by more than two-thirds of all directors, the resolutions of the audit committee shall be stated in the minutes of the Board meeting.</u>) Any objection by the Directors which is recorded or in writing shall be</p>	<p>Implementation and amendment: The Procedures shall be submitted to the Board of Directors for resolution after being approved by the Audit Committee and then become effective after approved by the shareholders' meeting. In case that a Director expresses objection with written records or declaration, the Company shall submit the dissenting opinions to the shareholders' meeting for discussion. Same procedures shall apply if amendments are made. When the Company submits the Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full</p>	Amended in accordance with the Order No.1080304826 issued by Financial Supervisory Commission.

Article	Before Amendment	After Amendment	Explanation
	<p>submitted for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p> <p><u>All members of the Audit Committee and all Directors are referred to as the actual incumbent.</u></p> <p>When the Company submits the Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions; the Independent Directors' opinions specifically expressing assent/dissent and the reasons for dissent shall be included in the minutes of the Board meeting.</p>	<p>consideration each Independent Director's opinions; the Independent Directors' opinions specifically expressing assent/dissent and the reasons for dissent shall be included in the minutes of the Board meeting.</p>	
Article 8	<p>Article 8. History of the Procedures</p> <p>Enactment date: Approved by the shareholders' meeting on May 6, 1999</p> <p>Date of the 1st amendment: Approved by the shareholders' meeting on May 24, 2000</p> <p>Date of the 2nd amendment: Approved by the shareholders' meeting on June 24, 2002</p> <p>Date of the 3rd amendment: Approved by the shareholders' meeting on June 25, 2003</p> <p>Date of the 4th amendment: Approved by the shareholders' meeting on June 13, 2007</p> <p>Date of the 5th amendment: Approved by the shareholders' meeting on June 16, 2009</p> <p>Date of the 6th amendment: Approved by the shareholders' meeting on June 17, 2010</p> <p>Date of the 7th amendment: Approved by the shareholders' meeting on June 4, 2013</p> <p>Date of the 8th amendment: Approved by the shareholders' meeting on June 22, 2017</p> <p><u>Date of the 9th amendment: Approved by the shareholders' meeting on June 9, 2020</u></p>	<p>Article 8. History of the Procedures</p> <p>Enactment date: Approved by the shareholders' meeting on May 6, 1999</p> <p>Date of the 1st amendment: Approved by the shareholders' meeting on May 24, 2000</p> <p>Date of the 2nd amendment: Approved by the shareholders' meeting on June 24, 2002</p> <p>Date of the 3rd amendment: Approved by the shareholders' meeting on June 25, 2003</p> <p>Date of the 4th amendment: Approved by the shareholders' meeting on June 13, 2007</p> <p>Date of the 5th amendment: Approved by the shareholders' meeting on June 16, 2009</p> <p>Date of the 6th amendment: Approved by the shareholders' meeting on June 17, 2010</p> <p>Date of the 7th amendment: Approved by the shareholders' meeting on June 4, 2013</p> <p>Date of the 8th amendment: Approved by the shareholders' meeting on June 22, 2017</p>	Amendment dates are added

SOFTSTAR ENTERTAINMENT INC.

Comparison Table for Amendments to the "Operational Procedures for Endorsements/Guarantees" before and after the Amendment

Article	Before Amendment	After Amendment	Explanation
Article 6	<p>Article 6. Hierarchy of endorsement/guarantee decision-making and delegation thereof</p> <p>I. When the Company makes any endorsement/guarantee, it shall be submitted to the Board of Directors for approval. For the sake of timeliness, the Chairman is delegated by the Board of Directors to handle the endorsement/guarantee as long as its amount does not exceed 30% of the Company's current net worth, but such endorsement /guarantee shall be reported to the most coming Board Meeting for ratification and its handling information shall be reported to the shareholders' meeting for checking.</p> <p>II. Any endorsement/guarantee among subsidiaries of which the Company holds, directly or indirectly, 90% or more of the voting shares shall be first submitted to the Company's Board of Directors for a resolution before execution. However, this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.</p>	<p>Article 6. Hierarchy of endorsement/guarantee decision-making and delegation thereof</p> <p>I. When the Company makes any endorsement/guarantee, it shall be submitted to the Board of Directors for approval. For the sake of timeliness, the Chairman is delegated by the Board of Directors to handle the endorsement/guarantee as long as its amount does not exceed 30% of the Company's current net worth, but such endorsement /guarantee shall be reported to the most coming Board Meeting for ratification and its handling information shall be reported to the shareholders' meeting for checking.</p> <p>II. Any endorsement/guarantee among subsidiaries of which the Company holds, directly or indirectly, 90% or more of the voting shares shall be first submitted to the Company's Board of Directors for a resolution before execution. However, this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.</p>	<p>Amended in accordance with Article 17 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>

Article	Before Amendment	After Amendment	Explanation
	As the Company has established the position of Independent Director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each Independent Director; Independent Directors' opinions specifically expressing assent or dissent and the reasons for the dissent shall be included in the minutes of the Board meeting.	As the Company has established the position of Independent Director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each Independent Director; Independent Directors' opinions specifically expressing assent or dissent and the reasons for the dissent shall be included in the minutes of the Board meeting.	
Article 10	<p>Article 10. Time and Content of Declaration Reported:</p> <p>I. The Company shall input the monthly endorsement/guarantee balance of the Company and subsidiaries into Market Observation Post System before the 10th day of every month.</p> <p>II. If the Company's endorsement/guarantee reaches one of the following standards, it shall input into the Market Observation Post System within 2 days since the date of occurrence:</p> <ol style="list-style-type: none"> 1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statements. 2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statements. 3. The balance of 	<p>Article 10. Time and Content of Declaration Reported:</p> <p>I. The Company shall input the monthly endorsement/guarantee balance of the Company and subsidiaries into Market Observation Post System before the 10th day of every month.</p> <p>II. If the Company's endorsement/guarantee reaches one of the following standards, it shall input into the Market Observation Post System within 2 days since the date of occurrence:</p> <ol style="list-style-type: none"> 1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statements. 2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statements. 3. The balance of 	Amended in accordance with the Order No.1080304826 issued by Financial Supervisory Commission.

Article	Before Amendment	After Amendment	Explanation
	<p>endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, book value of investment of a long-term nature using the equity method, and balance of loans to, such an enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statements.</p> <p>4. The incremental endorsement/guarantee of the Company and its subsidiaries reaches over NT\$30 million and 5% of the Company's net worth in the most recent financial statements.</p> <p>III. If a subsidiary of the Company is a non-domestic public listed company that has the items to be input into Market Observation Post System according to the preceding Subparagraph 4 of the above Paragraph, the Company shall act on its behalf.</p> <p>IV. The term "date of occurrence" as used in the Procedures refers to the date of contract signing for the transaction, date of payment, dates of Board of Directors' resolutions, or other date on which the transaction party and amount of endorsements/guarantees can be</p>	<p>endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to, such enterprise reaches 30% or more of public company's net worth as stated in its latest financial statements.</p> <p>4. The incremental endorsement/guarantee of the Company and its subsidiaries reaches over NT\$30 million and 5% of the Company's net worth in the most recent financial statements.</p> <p>III. If a subsidiary of the Company is a non-domestic public listed company that has the items to be input into Market Observation Post System according to the preceding Subparagraph 4 of the above Paragraph, the Company shall act on its behalf.</p> <p>IV. The term "date of occurrence" as used in the Procedures refers to the date of contract signing for the transaction, date of payment, dates of Board of Directors' resolutions, or other date on which the transaction party and amount can be ascertained, whichever is earlier.</p>	

Article	Before Amendment	After Amendment	Explanation
	ascertained, whichever is earlier.		
Article 13	<p>The Procedures should be <u>approved by more than one-half of all members</u> of the Audit Committee, and submitted to the Board of Directors for resolution and to the shareholders' meeting for approval (<u>If not approved by more than one-half of the members of the Audit Committee, the Procedures can be implemented if approved by more than two-thirds of all directors, the resolutions of the audit committee shall be stated in the minutes of the Board meeting.</u>) Any objection by the Directors which is recorded or in writing shall be submitted for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.</p> <p><u>All members of the Audit Committee and all Directors are referred to as the actual incumbent.</u></p> <p>When the Company submits the Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions; the Independent Directors' opinions specifically expressing assent/dissent and the reasons for dissent shall be included in the minutes of the Board meeting.</p>	<p>The Procedures shall be submitted to the Board of Directors for resolution after being approved by the Audit Committee and then become effective after approved by the shareholders' meeting. In case that a Director expresses objection with written records or declaration, the Company shall submit the dissenting opinions to the shareholders' meeting for discussion. Same procedures shall apply if amendments are made. When the Company submits the Procedures to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions; the Independent Directors' opinions specifically expressing assent/dissent and the reasons for dissent shall be included in the minutes of the Board meeting.</p>	Amended in accordance with the Order No.1080304826 issued by Financial Supervisory Commission.
Article 14	<p>History of the Procedures</p> <p>Enactment: Approved by the shareholders' meeting on May 24, 2000</p> <p>The 1st amendment: Approved by the shareholders' meeting on June 25, 2003</p> <p>The 2nd amendment: Approved by the shareholders' meeting on June 14, 2006</p> <p>The 3rd amendment: Approved by the shareholders' meeting on June 16, 2009</p> <p>The 4th amendment: Approved by the shareholders'</p>	<p>History of the Procedures</p> <p>Enactment: Approved by the shareholders' meeting on May 24, 2000</p> <p>The 1st amendment: Approved by the shareholders' meeting on June 25, 2003</p> <p>The 2nd amendment: Approved by the shareholders' meeting on June 14, 2006</p> <p>The 3rd amendment: Approved by the shareholders' meeting on June 16, 2009</p> <p>The 4th amendment: Approved by the shareholders'</p>	Amendment dates are added

Article	Before Amendment	After Amendment	Explanation
	<p>meeting on June 17, 2010. The 5th amendment: Approved by the shareholders' meeting on June 22, 2011. The 6th amendment: Approved by the shareholders' meeting on June 27, 2012. The 7th amendment: Approved by the shareholders' meeting on June 4, 2013. The 8th amendment: Approved by the shareholders' meeting on June 22, 2017. <u>The 9th amendment: Approved by the shareholders' meeting on June 9, 2020.</u></p>	<p>meeting on June 17, 2010. The 5th amendment: Approved by the shareholders' meeting on June 22, 2011. The 6th amendment: Approved by the shareholders' meeting on June 27, 2012. The 7th amendment: Approved by the shareholders' meeting on June 4, 2013. The 8th amendment: Approved by the shareholders' meeting on June 22, 2017.</p>	

SOFTSTAR ENTERTAINMENT INC.

Comparison Table for Amendments to the "Rules and Procedures of Shareholders' Meeting" before and after the Amendment

Amended	Current	Explanation
<p>III. Attendance and voting at a shareholders' meeting shall be calculated based on the number of shares. <u>The number of shares in attendance shall be calculated according to the shares indicated by the attendance book or sign-in cards handed and the number of shares of voting rights is exercised in writing or electronically.</u></p>	<p>III. Attendance and voting at a shareholders' meeting shall be calculated based on the number of shares.</p>	Amended in line with practical operations
<p>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 the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; <u>all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.</u></p> <p>When, prior to termination of the meeting, the attending shareholders represent a half of a majority 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.</p>	<p>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.</p> <p>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.</p>	Amended in line with practical operations

Amended	Current	Explanation
<p>IX. If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors and <u>relevant proposals shall be voted one by one</u>. 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.</p> <p>Unless otherwise resolved at the shareholders' meeting, the chair may not announce adjournment of the meeting unless the scheduled agenda items (including extemporary 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.</p>	<p>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.</p> <p>Unless otherwise resolved at the shareholders' meeting, the chair may not announce adjournment of the meeting unless the scheduled agenda items (including extemporary 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.</p>	<p>Handled in accordance with the Order No.10900500261 issued by Taipei Exchange on January 13, 2020,</p>
<p>XIV. When the chair considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion, submit the motion for resolution, <u>and arrange sufficient time for voting</u>.</p>	<p>XIV. When the chair 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.</p>	<p>Amended in line with practical operations</p>
<p>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 chair.</p>	<p>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 chair.</p>	<p>Amended in line with practical operations</p>
<p>XIX. The chair may direct the inspectors (or security personnel) to help maintain order at the meeting</p>	<p>XIX. The chair may direct the inspectors (or security personnel) to help maintain order at the meeting</p>	<p>Amended in line with practical operations</p>

Amended	Current	Explanation
<p>place. When proctors or security personnel help maintain order at the meeting place, they shall wear armband or an <u>identification card</u> bearing the word "Proctor".</p>	<p>place. When proctors or security personnel help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor".</p>	
<p>XX. The resolution matters at shareholders' meetings shall be made into minute book <u>to be signed or stamped by the chair</u> and then distributed to shareholders within 20 days after the meeting. Electronic measures or announcements 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 minutes of the meeting shall record the date, venue, name of the chair, resolutions <u>and voting results (including the statistical number of shares).</u> <u>When it comes to Director election, the number of votes for each elected Director shall be disclosed.</u> Such minutes, together with the attendance book or card and the letters of representative appointment, <u>shall be permanently kept</u> during the duration of the Company.</p>	<p>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 announcements 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.</p>	<p>Amended in line with practical operations</p>

List of Candidates of Directors (Including Independent Directors)

List of Director Candidates

No.	Nationality	Name	Academic backgrounds of employees	Experience	Current position	Number of shares held	Organization
1	The Republic of China	TU, CHUN-KUANG	Tamkang University Department of Civil Engineering	Softstar Entertainment Inc. Chairman and General Manager	Chairman, Softstar Entertainment Inc.	0	N/A
2	Cayman Islands	Angel Fund (Asia) Investments Limited	N/A	N/A	Director, Softstar Entertainment Inc.	7,798,562	N/A
3	British Virgin Islands	Giant Stone Capital Group Corp. (The account name recorded in the register of shareholders: Special account for Yuanta Commercial Bank as custodian of investments of Giant Stone Capital Group Corp.)	N/A	N/A	None	7,753	N/A
4	Samoa	KAL Holdings Corp. (The account name recorded in the register of shareholders: Special account for Yuanta Commercial Bank as custodian of investments of KAL Holdings Corp.)	N/A	N/A	Director, Softstar Entertainment Inc.	2,000	N/A

List of Independent Director Candidates

No.	Nationality	Name	Academic backgrounds of employees	Experience	Current position	Number of shares held	Organization
1	The Republic of China	HUNG, PI-LIEN	Master of Accounting, National Chengchi University Bachelor of Accounting, National Chengchi University	Banking Officer, Taipei Exchange Supervisor, LIWANLI Innovation Co., Ltd.	Independent Director of Softstar Entertainment Inc.	0	None
2	The Republic of China	TSAI, CHENG-YUN	Department of Accounting and Statistics Tamsui Institute of Industrial & Business Administration	Manager, CTBC Bank Co., Ltd.	Independent Director of Softstar Entertainment Inc.	0	None
3	The Republic of China	HSIEH, GUO-DONG	Bachelor of Mechanical Engineering, National Central University	Business Assistant of IBM Business director of EMC	Independent Director of Softstar Entertainment Inc. Vice General Manager of Taiwan VMware Information Technology LLC.	0	None

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 the 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 10 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 to 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 a general shareholders' meeting, or within 30 days prior to the convening date of an extraordinary shareholders' 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' Meetings

Article 11 The Company's shareholders' meeting falls in the following categories:

- I. General shareholders' meetings, held by the Board of Directors within 6 months after the end of each fiscal year.
- II. Extraordinary shareholders' meetings, convened in accordance with relevant laws and regulations when necessary.

Article 12 The shareholders' meeting shall be chaired by the Chairman of the Board. 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 an 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 shareholders' meeting shall be chaired by the Chairman of the Board. 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 an 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 14 When a shareholder is unable to attend the shareholders' 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 a representative shall be conducted in accordance with 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 represent 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 plans.
- II. To propose profit distribution or a plan for recovery of losses.
- III. To propose a 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 set up and shut down branch institutes.
- VII. To prepare budgets and final accounts
- VIII. Other power entitled by the Company Act or the resolution of the Shareholders meeting.

Article 19 The 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 an 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. Proposal for 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 employees' compensation and no more than 3 % shall be allocated for Directors' remuneration. If the Company has accumulated losses (including undistributed earnings adjusted), however, it shall reserve an amount for offsetting the losses.
Employees' compensation referred to in the preceding paragraph may be distributed in the form of either stock or cash upon approval of the Board of Directors, and the scope of employees' compensation to be distributed may include the employees of the Company's affiliated companies meeting the requirements established by the Board of Directors. Directors' remuneration referred to in the preceding paragraph shall only be distributed in the form of cash.
The Board of Directors shall resolve on the distribution of employees' compensation and Directors' remuneration and report in the annual 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 distribution of dividends is based on the operations of the Company and the maximum shareholders' equity. Based on the robust principle, dividends are first distributed to shareholders in the form of stock, and remaining dividends, if any, are

then distributed to shareholders in the form of cash, provided that cash dividends shall be no more than 50% of the total dividends to be distributed to shareholders.

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 and Procedures of Shareholders' Meetings (before Amendment)

- 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 9 a.m. or later than 3 p.m..
- 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 an 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 chair may not announce adjournment of the meeting unless the scheduled agenda items (including extemporary 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 chair's consent, with five minutes maximum for each speech. However, if approved by the chair, it may be extended for three minutes. The chair may stop any shareholder who violates the above rules or exceeds the scope of the agenda item.
- XII. Any legal entity designated as a 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 chair 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 chair.
- 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 chair 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 chair may announce the meeting time as appropriate.
A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 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 announcements 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 a shareholders' meeting.

SOFTSTAR ENTERTAINMENT INC.
Rules for Election of Directors

- Article 1 The selection of Directors of the Company shall be handled in accordance with these Rules, unless otherwise provided by laws or Articles of Incorporation.
- Article 2 The Company's election of directors shall be held at the shareholders' meeting. The overall composition of the Board of Directors shall be taken into consideration in the selection of this Company's Directors Board members shall possess knowledge, skills, and qualities required to carry out their duties. Abilities needed for each member are as follows:
- I. Business judgment ability.
 - II. Accounting and financial analysis ability.
 - III. Business management ability.
 - IV. Crisis management ability.
 - V. Knowledge of the industry.
 - VI. International market perspective.
 - VII. Leadership.
 - VIII. Decision-making ability. More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.
- More than half of the Directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other Director.
- Article 3 The cumulative voting method shall be used for the election of the Company's Directors. Each share will have voting rights in number equal to the Directors to be elected, and may be cast for a single candidate or split among multiple candidates.
- Article 4 The election of Directors of the Company shall be conducted in accordance with the candidate nomination system set out in Article 192-1 of the Company Act. If the dismissal of a Director results in a Board with less than five Directors, the Company shall hold a supplemental election at the next shareholders' meeting. However, if Director vacancies reach one third of seats stipulated by regulations, the Company shall hold a extraordinary shareholder's meeting to elect Directors within 60 days of the actual vacancy date. When the number of Independent Directors falls below that required by law, a by-election shall be held at the next shareholders' meeting. When the Independent Directors are dismissed en masse, a extraordinary shareholders' meeting shall be called within 60 days from the date of occurrence to hold a by-election.
- Article 5 The Directors of the Company shall calculate the voting rights of common Directors and Independent Directors in accordance with the Company's Articles of Incorporation. They shall be acted by those representing more voting rights in order. If there are two or more persons obtaining the same number of rights exceeding the stipulated quota, a decision shall be made by drawing lots, and the chair shall draw on behalf of the absent ones.
- Article 6 In preparing ballots, the Board of Directors shall specify on the ballots the number of voting rights associated with each ballot. However, if voting rights are exercised electronically, no ballot will be prepared.
- Article 7 Before the election begins, the chair shall appoint a number of persons with shareholder status as vote monitoring personnel and counting personnel to perform the duties of vote monitoring and counting, respectively.

- Article 8 Article 8. If a candidate is a shareholder, the voter shall enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a government organization or corporate shareholder, the name of the government organization or corporate shareholder shall be entered in the column for the candidate's account name on the ballot, or both the name of the government organization or corporate shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each representative shall be entered.
- Article 9 Ballots are deemed void in any of the following circumstances: The ballot was not prepared by the Board of Directors.
- I.
 - II. The ballot was not prepared by the Board of Directors.
 - III. A blank ballot is placed in the ballot box.
 - IV. The writing is unclear and indecipherable or has been altered.
 - V. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
 - VI. Other words or marks are written on the ballot in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted. Nonetheless, this does not apply to those handled in accordance with Article 8.
 - VII. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such an individual.
- Article 10 The voting rights shall be calculated on site immediately after the end of the poll, and the list of persons elected as the directors shall be announced by the chair or a person designated by the chair on site.
- Article 11 These Rules and any amendments thereto shall be implemented after the approval by a shareholders' meeting.

The Effect of Proposed Stock Dividends in this Shareholders' Meeting on the Company's Operating Performance, Earnings Per Share, and Return on Equity:

		2020 (Estimate)
Beginning paid-in capital		NT\$492,945,300
Distribution of dividends in the current fiscal year (Note 1)	Cash dividend per share	0.2
	Number of shares allotted for capital transferred from earnings	1.8
	Capital reserve to capital increase	1.0
Changes in operating performance	Operating income	(Note 2)
	Operating profit increase (decrease) ratio over the same period last year	
	NIAT	
	Ratio of increase (decrease) in NIAT compared with the same period in previous year	
	Earnings per share	
	Earnings per share increase (decrease) ratio over the same period last year	
	Annual average return on investment (annual average P/E ratio)	
Pro-forma earnings per share and P/E ratio	If capital transferred from capital reserve is replaced by cash dividends distribution	Proposed Earnings Per Share
		Pro-forma Average Annual Return on Investment
	If capital transferred from capital reserve is not conducted	Proposed Earnings Per Share
		Pro-forma Average Annual Return on Investment
	If capital reserve has not been prepared and capital transferred from surplus is changed into distribution of cash dividends	Proposed Earnings Per Share
		Pro-forma Average Annual Return on Investment

Note 1: The distribution is in accordance with the resolution passed by the Board on April 23, 2020, and calculated on the basis of 49,288,530 shares on March 5, 2020; It has not yet been approved by the annual shareholders' meeting in 2020.

Note 2: The Company did not publish the 2020 financial forecasts, so it is not required to disclose the information.

SOFTSTAR ENTERTAINMENT INC.
Shareholdings of All Directors

- I. The number of issued shares was 49,288,530 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 3,943,082 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 11, 2020, are disclosed in the table below: complied with percentage required by law.

Title	Name	Shares held
Chairman	TU, CHUN-KUANG	0
Director	Angel Fund (ASIA) Investments Limited, British Cayman Islands	7,798,562
Director	China Development Mobile Technology Co., 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
Total		9,617,062