Stock Code: 6111

SOFTSTAR ENTERTAINMENT INC.

2018 Annual Report

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

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IV. Auditors

Ernst & Young, Taiwan
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V. Overseas Securities Exchange: None

VI. Corporate Website: http://group.softstar.com.tw

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Chapter 1 Letter to Shareholders

The Company continued to license to and cooperate with first-tier large-scale companies from Taiwan and mainland China in the development of mobile games regarding its renowned IP "Sword and Fairy" and "Xuan Yuan Sword" titles. Mobile games have successfully launched in the markets of mainland China, Taiwan, and overseas regions one after another. Mobile games such as "Sword and Fairy on Mobile" and "Sword and Fairy Online (Mobile)" have all continued their contribution to the turnover of the Company. In 2018, the Company launched games including "Xuan Yuan Sword: Hero's Alliance (Mobile)" (mainland China), "Sword and Fairy 3D (Mobile)" (Taiwan, Hong Kong, Macau), and "Sword and Fairy 4 on Mobile" (mainland China), and increased mobile game and audiovisual licensing revenue of the Sword and Fairy series. Furthermore, the animation "Xuan Yuan Sword: Luminary" also attained an outstanding performance when broadcast on the TV TOKYO channel in Japan. The animation also received considerable response and discussion among top online streaming platforms in the Chinese-speaking world. 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 achieved early preparation in the Chinese game market in Taiwan, Hong Kong, and mainland China, laid a deep foundation in the fields of product R&D, marketing channels and game operation, IP licensing, and so on, while proactively expanding the market of digital content. The operating performance for 2018 and the operating prospects for 2019 are described in detail as follows:

I. Overview of 2018 business results

(I) Overview of 2018 business results

The Company’s 2018 consolidated net sales was NT$855,738 thousand.

(II) Budget execution and revenue & expenditure:

Unit: Thousand NT$

Item		2018 Actual amount
Net Sales		855,738
Cost of goods sold		(81,510)
Gross Profit		774,228
Operating Expenses		(627,772)
Operating Income		146,456
Non-Operating Income and Expenses		(7,894)
Profit before income tax		138,562
Income Tax Expenses		(53,135)
Net Income		85,427
Net Income (Loss) Attributable to:	Stockholders of the Parent Company	87,823
	Non-Controlling Interests	(2,396)

(III) Profitability analysis:

Item	2018
Return on total assets	8.79%
Return on total stockholder's equity	17.47%
Operating Income to Capital	30.64%
Pretax Income to Capital	28.99%
Net Income to Sales	9.98%
Earnings per Share after Tax (NT$)	1.84

(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 2018, a total of NT$308,401 thousand in research and development expense was invested, accounting for 49% of the Company's operating expenses.

II. Overview of 2019 business plan

(I) Operating guidelines

⊙ Research and development of games

- Standalone games:

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

- Mobile Game:

In 2017, the Company launched the self-developed "Sword and Fairy: Mirror's Mirage (Mobile)" (Mainland, Taiwan, Hong Kong, Macau, and South Korea), " Tun Town on Mobile" (Taiwan, Hong Kong, and Macau), and so on. In 2019, it is expected to launch " Sword and Fairy: Nine Wilds (Mobile) " and "Xuan Yuan Sword: Luminary (Mobile)" The Company will continue to research and develop, and cooperate with tier-one vendors to build and 12 launch mobile games, and expand cooperation to various platforms to increase revenue and profit.

- ⊙ IP licensing and pan-entertainment authorization cooperation

  Develop new games, TV shows, movies, internet dramas, stage plays, animations, and distribute novels or comics through licensing or collaboration. In February 2018, the " Xuan Yuan Sword: Hero's Alliance (Mobile) " (Mainland China) was released, in March 2018, " Sword and Fairy M (Mobile) " (Taiwan, Hong Kong, and Macau) was released, and in October 2018, "Xuan Yuan Sword Online Mobile Game" (Mainland China) was released. In November 2018, "Sword and Fairy 4 Mobile Game" (Mainland China) was launched. After that, the " Xuan Yuan Sword: Drangon Dances in Clouds and Mountains (Mobile) " (Mainland China) will be launched. The Company's IP brand will work with more cross-disciplinary companies to create more revenue and profit.

- ⊙ Gaming operation

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

(II) Projected Sales

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

(III) Major operations & sales policies

- ⊙ Actively expand 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.
- ⊙ Stregthen 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!

Chairman: TU CHUN-KUANG

President: TSAY MING-HONG

Chief Accountant: HSIEH PING-HUI

Chapter 2 Company Profile

I. Date of Incorporation

The Company was founded on August 3, 1998.

II. Company History

The Company was previously named Tien Shuo Inc. and was founded on Aug. 3, 1998. The Company's name was changed to Softstar Entertainment Inc. on Oct. 15 of the same year, and it acquired assets and liabilities incurred from its primary operations from its predecessor company - Softstar Entertainment Inc. (the "Former Softstar"), taking over its existing R&D results and human resources, and carried on its operating businesses.

Former Softstar was founded on April 1, 1988, and was deregistered on the base date of Sept. 10, 1998. Its operating history and the business of the Company are closely linked. The significant events of the Company for the latest year and as of the date of printing the annual report are summarized below:

2018

- In February, “Richman Fight" was launched in Taiwan, Hong Kong, and Macau.
- In February, the mobile game "Xuan Yuan Sword: Hero's Alliance" was launched in mainland China.
- In March, "Sword and Fairy M (Mobile)" was launched in Taiwan, Hong Kong, and Macau.
- In April, "Richman Fight Line Sticker" was launched.
- On April 25, 2018, the Company’s Board of Directors approved the capital injection plan for SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING), a subsidiary of the Group, is seeking to increase its capital in order to introduce long-term partners. All of the shares have been subscribed by CMGE TECHNOLOGY GROUP LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Group. The total amount of capital injection is RMB$213,000 thousand. After the capital injection, CMGE holds 51% shares in SOFTSTAR BEIJING. The Company holds 49% shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC., and the Group will waive the right to subscribe shares this time. The Company will recognize the losses and gains on disposal of investment, but the profit or loss impact will to be assessed upon completion.
- In May, "Xuan Yuan Sword 27 Anniversary Figures" (International) was launched.
- In May, the subsidiary LOFTSTAR INTERACTIVE ENTERTAINMENT INC.carried out capital reduction to offset losses; the amount of capital reduction is NT$66,500,000 and 6,650,000 shares were canceled. The paid-in capital after capital reduction is NT$28,500,000.
- In May, "Sword and Fairy 3D on Html 5" was launched in Taiwan, Hong Kong, and Macau.
- In May, "Xuan Yuan Sword 6" and "Xuan Yuan Sword: the Gate of Firmament" were published on the WEGAME platform of mainland China.
- In May, "Sword and Fairy 6," "Xuan Yuan Sword: The Gate of Firmament," and "Empire of Angels 4" were published on the British Fanaical platform.
- In May, capital injection plan for SOFTSTAR BEIJING Supplementary

Agreement(I) was signed on May 28, 2018.

- In August, "Sword and Fairy 2" (iOS version) was launched.
- In August, clothing of "Sword and Fairy 3" was licensed for manufacture and launched in mainland China.
- In October, the "Xuan Yuan Sword: Luminary" animation was broadcasted on the TV TOKYO channel in Japan as well as online platforms in Taiwan and mainland China.
- In October, the mobile game "Xuan Yuan Sword Online" was launched in mainland China.
- In October, the Corporate Director Mighty Build Ventures Limited resigned.
- In November, convened an extraordinary shareholders' meeting for the special election of one seat of Director: Mr. TU CHUN-KUANG; Chairman: Angel Fund (ASIA) Investments Limited resigned its post as the Chairman and was re-assigned as a representative; the Board proposed Mr. TU CHUN-KUANG as the new Chairman.
- In November, the mobile game "Sword and Fairy 4" was launched in mainland China.
- In December, subsidiary WECOOL GAME CO., LTD.was renamed as "Softstar Creative Inc.," and was transformed into a closely held corporation.

2019

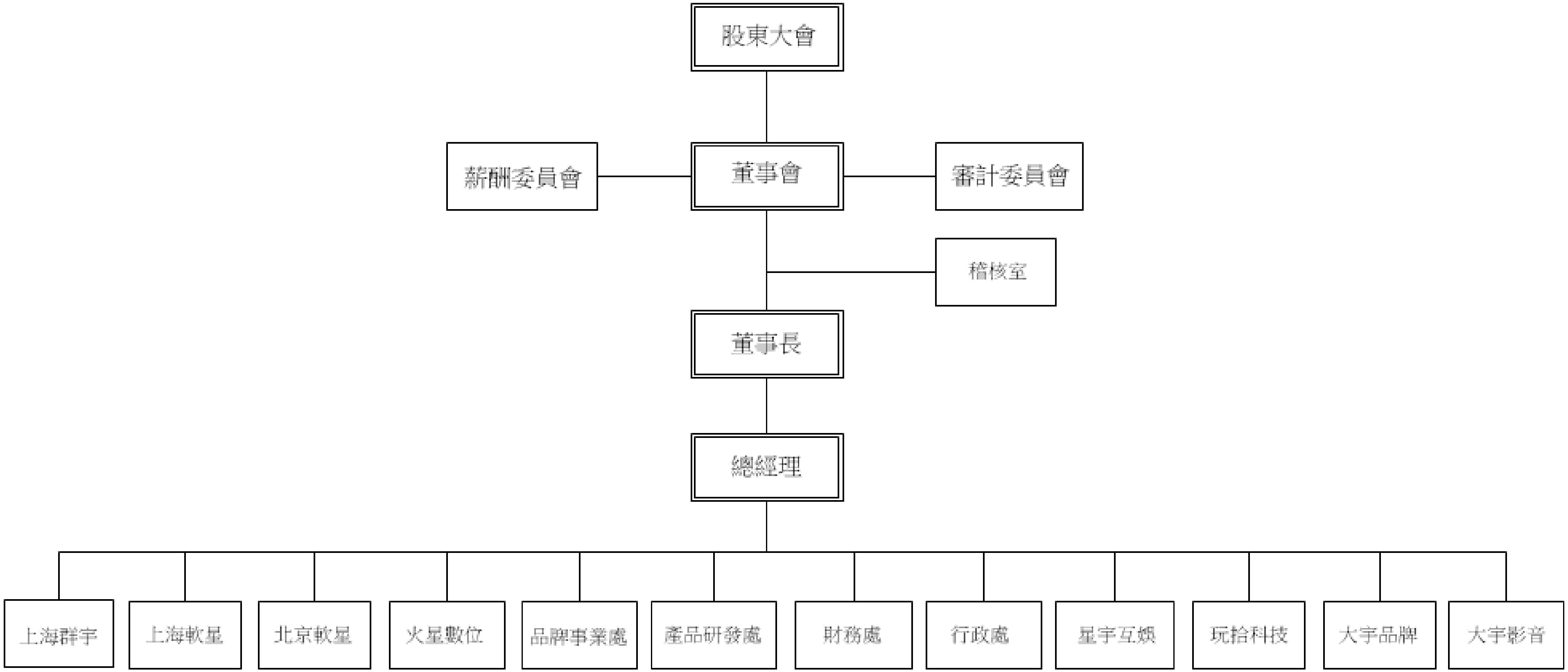
- In January, capital injection plan for SOFTSTAR BEIJING Supplementary Agreement(II) was signed on January 30, 2019.
- In March, the mobile game "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains" was launched in Taiwan, Hong Kong, and Macau.
- In April, "Sword and Fairy 6 PS4 Version" was launched in the global market.
- In April, capital injection plan for SOFTSTAR BEIJING Supplementary Agreement(III) was signed on April 30, 2019.

Although under Mainland China’s Company Act, CMGE has a 51% equity interest in SOFTSTAR BEIJING, CMGE will only obtain substantial control over SOFTSTAR BEIJING after it completes payment and the equity transaction. As at the reporting date, the Company's capital increase has not been completed.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational structure



股東大會	薪酬委員會	董事會	審計委員會	稽核室	董事長	總經理
Shareholders' Meeting	Remuneration Committee	Board of Directors	Audit Committee	Auditing Office	Chairman	President
上海群宇	上海軟星	北京軟星	火星數位	品牌事業處	產品研發處	財務處
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Marsware Entertainment Inc.	IP Business Division	Research & Development Division	Finance Division
行政處	星宇互娛	玩拾科技	大宇品牌	大宇影音		
Headquarters Administration Division	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Perfecten Corporation	Softstar Creative Inc.	Softstar Agency Co., Ltd.		

(II) Functions of major departments

Department	Major function
Research & Development Division	1. Development and research for new technologies 2. Product quality control and compatibility test for software/hardware. 3. Manufacture and progress control for main planning, art design, programming, audiovisual post-production, music, sound effect.
Finance Division	Finance, accounting, and stock affairs.
IP Business Division	1. Negotiation on overseas licensing for game software and IP. 2. Promote overseas marketing markets and strategic alliances with other companies.
Headquarters Administration Division	1. Legal affairs. 2. Management and maintenance of fixed assets and office administrative affairs. 3. Management and maintenance of office information security, ERP system, and computer equipment.
Auditing Office	Carry out audits on the accuracy and validity for the implementation of the internal control system, assist in reviewing and evaluating the operations and operating statements of the Company, and provide improvement recommendations.
SOFTSTAR TECHNOLOGY (BEIJING) CO. ,LTD.	1. Development and research for new technologies 2. Product quality control and compatibility test for software/hardware. 3. Manufacture and progress control for main planning, art design, programming, audiovisual post-production, music, sound effect.
SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	1. Development and research for new technologies 2. Product quality control and compatibility test for software/hardware. 3. Manufacture and progress control for main planning, art design, programming, audiovisual post-production, music, sound effect.
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	1. Development and research for new technologies 2. Product quality control and compatibility test for software/hardware. 3. Manufacture and progress control for main planning, art design, programming, audiovisual post-production, music, sound effect.
Marsware Entertainment Inc.	1. Development and research for new technologies 2. Product quality control and compatibility test for software/hardware. 3. Manufacture and progress control for main planning, art design, programming, audiovisual post-production, music, sound effect.
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	1. Operation, sales, and after-sales services for social media websites. 2. Operation, sales, and after-sales services for game software. 3. Design promotional activities and the publicity of corporate image.

Department	Major function
	4. Organize promotions for new products and participate in exhibitions and events. 5. Place product advertisement and act as the media between the Company and the third party, including participating in and organizing media public relations and public benefit activities. 6. Management and maintenance of distributors.
Perfecten Corporation	1. Social media and platform operations. 2. Mobile and online games operations.
Softstar Creative Inc.	Planning and integration
Softstar Agency Co., Ltd.	Crossover integration for audiovisual entertainment of our branded games.

II. Directors, Supervisors and Management Team

(I) Directors and supervisors

Apr. 12, 2019
Unit: Share

Title	Nationality or domicile	Name	Gender	Date elected (of accession)	Tenure	Date firstly elected	Shares held upon elected		Shares currently held		Shares held by spouse or minors		Holding shares in the name of another person		Primary experience (academic experience)	Titles concurrently held at the Company and other companies	Other supervisory roles, director or supervisor held by spouse or second-degree relations:		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Chairman	The Republic of China	TU, CHUN-KUANG	Male	Nov. 1, 2018	Three years	Jan. 17, 2014	0	0%	0	0%	0	0%	0	0%	EMBA, New York University, the US EMBA, Peking University Managing Director of Autian Group, Hong Kong Vice President of Golden Harvest Group, Hong Kong Supervisor of VIE SHOW CINEMAS CO., LTD., Taiwan	Note 1	None	None	None
Director	Seychelles	Mighty Build Ventures Limited	–	Jun. 22, 2017	Three Years	Jun. 22, 2017	722,000	1.50%	Note 5	Note 5	Note 5	Note 5	Note 5	Note 5	N/A	Note 5	Note 5	Note 5	Note 5
Director	British Cayman Islands	Angel Fund (ASIA) Investments Limited	-	Jun. 22, 2017	Three Years	Jan.17, 2014	9,018,562	18.72%	9,018,562	18.30%	_	_	_	_	N/A	None	None	None	None
	The Republic of China	Representative - YAO CHUANG HSIEN	Male	Jun. 30, 2017	Note 5	Jun. 30, 2017	114,399	0.24%	10,399	0.02%	0	0%	0	0%	Mining and Metallurgy Department, Taipei Institute of Technology Manager of Development Department, Softstar Entertainment Inc.	Note 2	None	None	None
Director	The British Virgin Islands	China Development Mobile Technology Ltd.	–	Jun. 22, 2017	Three Years	Jan. 17, 2014	1,812,500	3.76%	1,816,500	3.68%	_	_	_	_	N/A	None	None	None	None
	The Republic of China	Representative - LIN, CHIA-LI	Female	Jun. 30, 2017	Note 5	Jun. 30, 2017	0	0%	0	0%	0	0%	0	0%	MBA, Royal Roads University, Canada	Note 3	None	None	None
Director	Samoa	KAL Holdings Corp.	–	Jun. 22, 2017	Three Years	Jun. 22, 2017	2,000	0%	2,000	0%	_	_	_	_	N/A	None	None	None	None

Title	Nationality or domicile	Name	Gender	Date elected (of accession)	Tenure	Date firstly elected	Shares held upon elected		Shares currently held		Shares held by spouse or minors		Holding shares in the name of another person		Primary experience (academic experience)	Titles concurrently held at the Company and other companies	Other supervisory roles, director or supervisor held by spouse or second-degree relations:		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
	The Republic of China	Representative - SU, CONG-RU	Male	Dec. 19, 2017	Note 5	Dec. 19, 2017	0	0%	Note 5	Note 5	Note 5	Note 5	Note 5	Note 5	College of Law, Taiwan University M.A., Cornell University, the US Doctoral degree in law (Economic law), Peking University Solicitor in Taiwan, New York State, the US	Note 5	Note 5	Note 5	Note 5
	The Republic of China	Representative - KO AN LIN	Male	Jan. 30, 2019	Note 5	Jan. 30, 2019	0	0%	0	0%	0	0%	2,000	0%	Department of Electrical and Computer Engineering, Duke University, the US Representative of PARK HARVEST CAPITAL INC.	Note 4	None	None	None
Independent Director	The Republic of China	HUNG, PI-LIEN	Female	Jun. 22, 2017	Three Years	Jun. 22, 2017	0	0%	0	0%	0	0%	0	0%	M.S. of Accounting, National Chengchi University Banking Officer, Taipei Exchange Supervisor of LIWANLI Innovation Co., Ltd.	None	None	None	None
Independent Director	The Republic of China	TSAI, CHENG-YUN	Male	Jun. 22, 2017	Three Years	Jun. 22, 2017	0	0%	0	0%	0	0%	0	0%	Accounting Statistics Department, Private Tamsui Oxford College Manager, CTBC Bank Co., Ltd.	None	None	None	None
Independent Director	The Republic of China	HSIEH, GUO-DONG	Male	Jun. 22, 2017	Three Years	Jun. 22, 2017	0	0%	0	0%	0	0%	0	0%	B.S., Mechanical Engineering, National Central University Business manager of IBM Business director of EMC	Deputy President of Taiwan VMware Information Technology LLC.	None	None	None

Note 1: Chairman of Softstar Entertainment Inc., Director of SOFTSTAR INTERNATIONAL INC., MAURITIUS WEBSTAR INC., SOFTSTAR GLOBAL INC., PRIME HONOUR HOLDINGS LIMITED, SOFTSTAR ANIMATION LIMITED, Chairman of LOFTSTAR INTERACTIVE ENTERTAINMENT INC.., Chairman of Perfecten Corporation, Director of SOFTSTAR AGENCY CO., LTD., Chairman of Marsware Entertainment Inc., Chairman of Softstar Creative Inc. (originally known as WECOOL GAME CO., LTD.), Director of Softstar Technology (Beijing) Co., Ltd., Director of Softstar Technology (Shanghai) Co., Ltd., Director of SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD., Director of Double Edge Entertainment Corp.(corporate representative of Softstar Entertainment Inc.), Director of Angel Fund (Asia) Investments Limited, Director of Global Angel Investment Limited (corporate representative of Global Angel Investments Limited), Director of Global Angel Investments Limited, Director of Oriental Golden Richness LTD., Director of Angel (Partners) Investments Limited, Chairman of Fairy Palm Inc. (corporate representative of Softstar Entertainment Inc.), Director of Gamebase Digital Media Corporation (corporate representative of Softstar Entertainment Inc.), Director of Bakesi Wine Group Co., Ltd. (corporate representative of BACCHUS WINE GROUP CO., LTD.), Director of BACCHUS WINE GROUP CO., LTD., Director of ANGEL WINE & SPIRIT GROUP CO., LTD., Director of MIGHTY BUILD VENTURES LIMITED, President of NEWRETAIL Co.,LTD, and Director of Tokyo Fashion Co.,Ltd.

Note 2: Director and President of Softstar Technology (Beijing) Co., Ltd., Director of Softstar Technology (Shanghai) Co., Ltd., Chairman of SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD., and Director of JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO.,LTD.

Note 3: Director and President of Chia-e International Co., Ltd., and Director and President of Chia-lu International Co., Ltd.

Note 4: Representative of PARK HARVEST CAPITAL INC., Chairman of BIG RED ENTERTAINMENT CULTURAL AND CREATIVE INC. and Representative of BAYONNE GROUP INTERNATIONAL LTD.

Note 5: Corporate Directors of the Company were elected as corporates; therefore, the tenure for the assigned personnel shall be from Jun. 30, 2017 until the reassignment made by the corporate. Furthermore, Mighty Build Ventures Limited (assigned Representative YAO CHUANG HSIEN) resigned as Director on Oct. 31, 2018. The Company convened an extraordinary shareholders' meeting on Nov. 1, 2018, for the by-election of one seat of Director, TU, CHUN-KUANG. One the same day, Angel Fund (Asia) Investments Limited resigned as the Chairman and re-assigned Mr. YAO CHUANG HSIEN as Representative. The Board elected Mr. TU, CHUN-KUANG as the Chairman on Nov. 1, 2018. KAL Holdings Corp. re-assigned the Representative since Jan. 30, 2019 (re-assigned from Mr. SU, CONG-RU to Mr. KO AN LIN).

Table 1: Substantial shareholders of corporate shareholders

Apr. 12, 2019

Name of the corporate shareholder (Note 1)	Substantial shareholders of corporate shareholder (Note 2)	Shareholding ratio (%)
Angel Fund (Asia) Investments Limited	Angel (Partners) Investments Limited	25%
	Future Kemy Limited	49%
	Rocket Parade Investment Limited	26%
China Development Mobile Technology Ltd.	COOZ GAMEPLAY CO., LTD.	100.00%
KAL Holdings Corp.	KO AN LIN	100.00%

Note 1: Disclose the name of the corporate shareholder when the Director or Supervisor is the Representative of the corporate shareholder.

Note 2: Disclose the name of the substantial shareholder (with top ten shareholding ratio) of the corporate shareholder and its shareholding ratio. When the substantial shareholder is a corporate, make disclosure in the following Table 2.

Table 2: Substantial shareholders of corporate shareholders

Apr. 12, 2019

Name of the corporate shareholder (Note 1)	Substantial shareholders of corporate shareholder (Note 2)	Shareholding ratio (%)
Angel (Partners) Investments Limited	TU, CHUN-KUANG	100.00%
Future Kemy Limited	KO, CHIEH-YUAN	100.00%
Rocket Parade Investment Limited	CMGE Technology Group limited	100.00%
COOZ GAMEPLAY CO., LTD.	LIN, CHIA-LI	100.00%

Note 1: Disclose the name of the corporate when the substantial shareholder is a corporate as in Table 1 above.

Note 2: Disclose the name of the substantial shareholder (with top ten shareholding ratio) of the corporate and its shareholding ratio.

Directors and Supervisors

Apr. 12, 2019

Condition / Name	Has more than five years of work experience and the following professional qualifications			Independence (Note 1)										Serves as Independent Director for other publicly-listed companies
	Serve in lecturer roles or above in public or private college institutions in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the company's operations	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Working experiences in business administration, law, finance, accounting, or another discipline relevant to the company's operations	1	2	3	4	5	6	7	8	9	10	
Chairman TU, CHUN-KUANG			ˇ	ˇ		ˇ	ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	0
Angel Fund (Asia) Investments Limited				ˇ	ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		0
Representative - YAO CHUANG HSIEN			ˇ			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	0
Director of China Development Mobile Technology Ltd.				ˇ	ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		0
Representative - LIN, CHIA-LI			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	0
Director of KAL Holdings Corp.				ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ		0
Representative - KO AN LIN			ˇ	ˇ	ˇ	ˇ	ˇ		ˇ	ˇ	ˇ	ˇ	ˇ	0
Independent Director HUNG, PI-LIEN		ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	0
Independent Director TSAI, CHENG-YUN			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	0
Independent Director HSIEH, GUO-DONG			ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	ˇ	0

Note: For any director or supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [□] sign in the field next to the corresponding conditions.✓

(1) Not employed by the Company or its affiliated companies.

(2) Not serving as a director or supervisor of the Corporation or any affiliated companies (this does not apply in cases where the person is an Independent Director of the Corporation, its parent or subsidiary established in pursuant to this law or local laws).

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minors, or in the name of others.

(4) Not a spouse, second-degree relative, or direct, blood-related third-degree relative of the personnel listed in the first three criteria.

(5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder who holds more than five (5) percent of shares of companies or institutions that have financial or business dealings with the Company

(7) Not a professional, sole proprietor, partner, or a company that offers business administration, legal, financing, or accounting services or consulting services for the Company, and does not an owner, partner, director, supervisor, manager, or a spouse of any of the above-mentioned roles at a company that offers these services for the Company. This restriction, however, does not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Corporation Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not a spouse or a relative within the second degree of kinship with any director.

(9) No condition defined in Article 30 of the Company Law has appeared.

(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

(II) President, deputy President, Directors, and directors from each department and branches

Apr. 12, 2019

Title	Nationality	Name	Gender	Date being elected (of accession)	Number of shares held		Shares held by spouse and minors		Holding shares in the name of another person		Primary experience (academic experience)	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
President	The Republic of China	TSAY MING HONG	Male	Jun. 30, 2017	89,027	0.18%	722	0%	0	0%	Industrial Engineering and Management, Oriental Institute of Technology Manager of Development Department, Softstar Entertainment Inc. Director of Development Department, Softstar Entertainment Inc.	Note 1	None	None	None
COO	The Republic of China	CHEN, YAO-TIEN	Male	Feb. 7, 2014	0	0%	0	0%	0	0%	Graduated from Department of Chemical Engineering of Tsing Hua University Department of Sociology, Chengchi University Deputy manager of Taiwan Fixed Network Senior manager of Taiwan Index CEO of webzen Inc. Founder and CEO of Cayenne	Note 2	None	None	None
COO	The Republic of China	LIEN CHIEN CHIN	Male	Feb. 7, 2014	0	0%	0	0%	0	0%	Department of Computer Science & Engineering, Yuan Ze University Master of Department of Computer Science & Engineering, Yuan Ze University Engineer, Chunghwa Telecom Laboratory	Note 3	None	None	None
Vice President	The Republic of China	HSIEH PING HUI	Male	Jun. 24, 2015	2,100	0%	0	0%	0	0%	Accounting Department of Feng Chia University Director, Audit Department, Deloitte & Touche Director, Finance and Accounting Department, Uniplus Electronics Co., Ltd. Senior manager, Finance and Accounting Department, Arima Optoelectronics Corp. Director, Main Finance Department, Super Dragon Technology Co., Ltd.	Note 4	None	None	None
Vice President	The Republic of China	YAO CHUANG HSIEN	Male	Feb. 1, 2005	10,399	0.02%	0	0%	0	0%	Mining and Metallurgy Department, Taipei Institute of Technology Manager of Development Department, Softstar Entertainment Inc.	Note 5	None	None	None
Vice President	The Republic of China	LIN, HUI-ZHEN	Female	Apr. 16, 2015	6,000	0.01%	0	0%	0	0%	Graduate School of Law, Shih Hsin University Legal Director, Univision Technology Legal project manager, Airoha Technology Senior legal manager, Donglin Presicion Legal manager, Softstar Entertainment	Note 6	None	None	None

Vice President	The Republic of China	ZHANG, SHU-FEN	Female	Nov. 1, 2015	0	0%	0	0%	0	0%	Department of Mass Communication, Tamkang University Vice President, Joy Media Group Chief officer, Harvest 365 Foundation Vice President, Xiang Xiang Pictures	Note 7	None	None	None
CTO	The Republic of China	CHANG HSIAO CHUAN	Male	Jun. 30, 2017	6,783	0.01%	0	0%	0	0%	Art Department, Fu-Hsin Trade & Arts School Development director of Shanghai Softstar, Softstar Entertainment Shanghai R&D COO, GAMANIA	Note 8	None	None	None
Director	The Republic of China	RAO, RUI-JUN	Male	Feb. 1, 2016	6,938	0.01%	0	0%	0	0%	Mining and Metallurgy Department, Taipei Institute of Technology Senior Manager, 3rd Development	None	None	None	None

Note 1: Director of Marsware Entertainment Inc., Chairman of Gamebase Digital Media Corporation (corporate representative of Softstar Entertainment Inc.), and Director of Softstar Creative Inc. (originally known as WECOOL GAME CO., LTD.).

Note 2: Director and President of LOFTSTAR INTERACTIVE ENTERTAINMENT INC.., Director and President of Perfecten Corporation, and Supervisor of Fairy Palm Inc.

Note 3: Director of Perfecten Corporation, Tokyo Fashion Co., Ltd., Chairman of A.R.T. Games Co., Ltd, and Supervisor of Gamebase Digital Media Corporation

Note 4: Director of LOFTSTAR INTERACTIVE ENTERTAINMENT INC.., Supervisor of Softstar Technology (Beijing) Co., Ltd., Supervisor of Softstar Technology (Shanghai) Co., Ltd., Supervisor of SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD., Director of Kobe Co., Ltd., and Director of A.R.T. Games Co. Ltd (corporate representative of Softstar Entertainment Inc.).

Note 5: Director and President of Softstar Technology (Beijing) Co., Ltd., Chairman of Supervisor of Softstar Technology (Shanghai) Co., Ltd., Chairman of SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD., and Director of JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO.,LTD.

Note 6: Director of Softstar Creative Inc. (originally known as WECOOL GAME CO., LTD.).

Note 7: President of SOFTSTAR AGENCY CO., LTD.

Note 8: Director and President of Softstar Technology (Shanghai) Co., Ltd., and Director and President of SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.

III. Compensations to Directors, Supervisors, President and Vice Presidents in the Most Recent Year

(I) Remuneration for Directors

Dec. 31, 2018
Unit: NT$1,000/thousand shares

Title	Name	Director's remuneration								Ratio of the total of 4 items A, B, C and D to net profit after tax (%) (Note 10)		Compensations paid to concurrent employees								Ratio of the total of 7 items A, B, C, D, E, F, and G to net profit after tax (%) (Note 10)		All investee companies (Note 11)
		Remuneration (A) (Note 2)		Retirement pension (B)		Remuneration of Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, bonus, and special expenses (E) (Note 5)		Retirement pension (F)		Remuneration of employees (G) (Note 6)						
		The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company		All companies in the financial report (Note 7)		The Company	All companies in the financial report (Note 7)	
																Cash	Stock	Cash	Stock			
Chairman (Note 12)	TU, CHUN-KUANG	-	-	-	-	938	938	72	72	1.15	1.15	-	-	-	-	-	-	-	-	1.15	1.15	-
Director (Note 12)	Angel Fund (ASIA) Investments Limited, British Cayman Islands	-	-	-	-	180	180	-	-	0.20	0.20	-	-	-	-	-	-	-	-	0.20	0.20	-
Director (Note 12)	Mighty Build Ventures Limited, Seychelles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Representative: YAO CHUANG HSIEN (Note 12)	-	-	-	-	-	-	78	78	0.09	0.09	2,161	4,437	146	146	290	0	290	0	3.05	5.64	-
Director	China Development Mobile Technology Ltd., British Virgin Islands	-	-	-	-	90	90	-	-	0.10	0.10	-	-	-	-	-	-	-	-	0.10	0.10	-
	Representative: LIN, CHIA-LI	-	-	-	-			36	36	0.04	0.04	-	-	-	-	-	-	-	-	0.05	0.05	400~~,000~~
Director	KAL Holdings Corp., Samoa	-	-	-	-	108	108	-	-	0.12	0.12	-	-	-	-	-	-	-	-	0.12	0.12	-
	Representative: SU, CONG-RU (Note 12)	-	-	-	-	-	-	36	36	0.04	0.04	-	-	-	-	-	-	-	-	0.04	0.04	-
Independent Director	HUNG, PI-LIEN	360	360	-	-	-	-	156	156	0.59	0.59	-	-	-	-	-	-	-	-	0.59	0.59	-
Independent Director	TSAI, CHENG-YUN	360	360	-	-	-	-	162	162	0.59	0.59	-	-	-	-	-	-	-	-	0.59	0.59	-
Independent Director	HSIEH, GUO-DONG	360	360	-	-	-	-	150	150	0.58	0.58	-	-	-	-	-	-	-	-	0.58	0.58	

Table of remuneration ranges

Table of remuneration ranges for Directors of the Company	Name of the Director			
	Total remuneration of the above 4 items (A+B+C+D)		Total remuneration of the above 7 items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies listed in the financial report (Note 9) H	The Company (Note 8)	All companies listed in the financial report (Note 9) I
Below NT$2,000,000	TU, CHUN-KUANG/Angel Fund (ASIA) Investments Limited, British Cayman Islands/Mighty Build Ventures Limited, Seychelles/China Development Mobile Technology Ltd., British Virgin Islands and Representative LIN, CHIA-LI/KAL Holdings Corp., Samoa and Representative SU, CHUG-JU/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG/YAO CHUANG HSIEN	TU, CHUN-KUANG/Angel Fund (ASIA) Investments Limited, British Cayman Islands/Mighty Build Ventures Limited, Seychelles/China Development Mobile Technology, Ltd., British Virgin Islands and Representative LIN, CHIA-LI/KAL Holdings Corp., Samoa and Representative SU, CHUG-JU/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG/YAO, ZHUANG-XIA	TU, CHUN-KUANG/Angel Fund (ASIA) Investments Limited, British Cayman Islands/Mighty Build Ventures Limited, Seychelles/China Development Mobile Technology Ltd., British Virgin Islands and Representative LIN, CHIA-LI/KAL Holdings Corp., Samoa and Representative SU, CONG-RU/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG	TU, CHUN-KUANG/Angel Fund (ASIA) Investments Limited, British Cayman Islands/Mighty Build Ventures Limited, Seychelles/China Development Mobile Technology Ltd., British Virgin Islands and Representative LIN, CHIA-LI/KAL Holdings Corp., Samoa and Representative SU, CONG-RU/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG
NT$2,000,000 (inclusive) - NT$5,000,000 (exclusive)	None	None	YAO CHUANG HSIEN	YAO CHUANG HSIEN
NT$5,000,000 (inclusive) - NT$10,000,000 (exclusive)	None	None	None	None
NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive)	None	None	None	None
NT$15,000,000 (inclusive) – NT$30,000,000 (exclusive)	None	None	None	None
NT$30,000,000 (inclusive) – NT$50,000,000 (exclusive)	None	None	None	None
NT$50,000,000 (inclusive) – NT$100,000,000 (exclusive)	None	None	None	None
Over NT$100,000,000	None	None	None	None
Total	11 People	11 People	11 People	11 People

Note 1: The names of Directors shall be listed separately (names of corporate shareholders and corporate representatives shall be listed separately), and the payment amounts shall be disclosed collectively. If a Director concurrently serves as a President or Vice President, his/her name and the amount of remuneration paid to him/her shall be listed in Table (1-1) or (1-2) above.

Note 2: Remuneration of Directors during the past year (including salaries, job remuneration, severance, bonuses, and performance fees).

Note 3: Amount of remuneration distributed to Director after being approved by the Board for the past year.

Note 4: Allowances paid out to Directors for the past year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods). For expenses exclusive to an individual (such as houses, vehicle, and other transport vehicles), disclose the nature and costs, actual or imputed rent based on the fair market price, gas expenses, and other allowances for the assets provided. Where drivers are otherwise provided, please illustrate in notes regarding the compensation paid to drivers, excluding from the remuneration.

Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special expenses, various allowances, accommodation allowance vehicles, and provision of physical goods received by Directors who concurrently serve as employees (including President, Vice President, other managerial officers, and employees) for the past year. For expenses exclusive to an individual (such as houses, vehicle, and other transport vehicles), disclose the nature and costs, actual or imputed rent based on the fair market price, gas expenses, and other allowances for the assets provided. Where drivers are otherwise provided, please illustrate in notes regarding the compensation paid to drivers, excluding from the remuneration. Any salary listed under IFRS 2 Share-Based Payment, including the issuance of employee stock options certificate, restricted stock awards and cash increase through shares subscription shall also be included in the remuneration.

Note 6: For Directors who concurrently serve as employees (including President, Vice President, other managerial officers, and employees) and receive remuneration of employees (including stock and cash) for the past year, disclose the amount of remuneration distributed to employees after being approved by the Board for the past year. For amounts that are unable to estimate, propose the distribution amount for the year based on the actual distribution made last year, and fill out the Table 1-3.

Note 7: Disclose the total remuneration of all items paid out to the Company's Directors by all companies (including the Company) in the consolidated financial report.

Note 8: The name of each Director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to each Director by the Company.

Note 9: Disclose the total remuneration of all items paid out to the Company's Directors by all companies (including the Company) in the consolidated financial report and the name of each Director in the range of remuneration corresponding to the amount of remuneration.

Note 10: Net profit after tax refers to those that occurred during the past year. For companies adopted International Financial Reporting Standards, net profit after tax shall refer to those recorded in the parent company only financial report or the individual financial report for the past year.

Note 11: a. The amount of remuneration received from investee companies other than subsidiaries by the Company's Directors should be stated clearly in this column.

b. If the Director of the Company receives remuneration from investee companies other than subsidiaries, the amount of remuneration received by the Director from the investee companies other than subsidiaries shall be combined into Column I of the Table of remuneration ranges, and this column shall be renamed as "All investee companies."

c. Remuneration shall refer to compensation, remuneration (including remuneration for employees, Directors, or Supervisors), allowances, and other related remuneration received by the Director of the Company for being a director, supervisor, or managerial officer of investee companies other than subsidiaries.

＊ The concept of the disclosed remuneration in the Table differs from that of the Income Tax Act; therefore, the Table is for information disclosure only, instead of tax collection.

Note 12: Mighty Build Ventures Limited, Corporate Directors of the Company, resigned as Director on Oct. 31, 2018. The Company convened an extraordinary shareholders' meeting on Nov. 1, 2018, for the by-election of one seat of Director, Mr. TU, CHUN-KUANG. One the same day, Angel Fund (Asia) Investments Limited resigned as the Chairman and re-assigned Mr. YAO CHUANG HSIEN as Representative. The Board elected Mr. TU, CHUN-KUANG as the Chairman on Nov. 1, 2018. KAL Holdings Corp. re-assigned the Representative since Jan. 30, 2-19 (re-assigned from Mr. SU, CONG-RU to Mr. KO AN LIN).

(II) Remuneration for Supervisors

Re-election for all Directors was carried out at the shareholders' meeting of the Company on Jun. 22, 2017. The Audit Committee was established to substitute Supervisors; therefore, no remuneration for Supervisors occurred during 2018.

(III) Remuneration for the President and Vice President

Dec. 31, 2018
Unit: NT$1,000/thousand shares

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special expenses (C) (Note 3)		Employees' remuneration (D) (Note 4)				Ratio of the total of 4 items A, B, C and D to net profit after taxes (%) (Note 8)		All investee companies (Note 9)
		The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company		All companies in the financial report (Note 5)		The Company	All companies in the financial report (Note 5)	
								Cash	Stock	Cash	Stock			
President	TSAY MING HONG	17,953	24,992	634	634	1,403	2,274	1,945	-	1,945	-	24.98	33.98	-
Vice President	CHEN, YAO-TIEN													
Vice President	LIEN CHIEN CHIN													
Vice President	YAO CHUANG HSIEN													
Vice President	HSIEH PING HUI													
Vice President	ZHANG, SHU-FEN													
Vice President	LIN, HUI-ZHEN													
CTO	CHANG HSIAO CHUAN													

Table of remuneration ranges

Table of remuneration ranges for President and Vice President of the Company	Name of President and Vice President	
	The Company (Note 6)	All investee companies (Note 7) E
Below NT$2,000,000	LIN, HUI-ZHEN, ZHANG, SHU-FEN	LIN, HUI-ZHEN, ZHANG, SHU-FEN
NT$2,000,000 (inclusive) - NT$5,000,000 (exclusive)	TSAY MING HONG, YAO CHUANG HSIEN, CHANG HSIAO CHUAN CHEN, YAO-TIEN, LIEN CHIEN CHIN, HSIEH PING HUI	TSAY MING HONG, YAO CHUANG HSIEN, CHEN, YAO-TIEN, LIEN CHIEN CHIN, HSIEH PING HUI
NT$5,000,000 (inclusive) - NT$10,000,000 (exclusive)	None	CHANG HSIAO CHUAN
NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive)	None	None
NT$15,000,000 (inclusive) – NT$30,000,000 (exclusive)	None	None
NT$30,000,000 (inclusive) – NT$50,000,000 (exclusive)	None	None
NT$50,000,000 (inclusive) – NT$100,000,000 (exclusive)	None	None
Over NT$100,000,000	None	None
Total	8 People	8 People

Note 1: The names of President and Vice President shall be listed separately, and the payment amounts shall be disclosed collectively. If a Director concurrently serves as a President or Vice President, his/her name and the amount of remuneration paid to him/her shall be listed in Table (1-1) or (1-2) above.

Note 2: Salaries, job remuneration, and severance of President or Vice President during the past year

Note 3: Various bonuses, incentives, transportation allowance, special expenses, various allowances, dormitory, vehicles, and provision of physical goods as well as other remuneration provided to President or Vice President during the past year. For expenses exclusive to an individual (such as houses, vehicle, and other transport vehicles), disclose the nature and costs, actual or imputed rent based on the fair market price, gas expenses, and other allowances for the assets provided. Where drivers are otherwise provided, please illustrate in notes regarding the compensation paid to drivers, excluding from the remuneration. Any salary listed under IFRS 2 Share-Based Payment, including the issuance of employee stock options certificate, restricted stock awards and cash increase through shares subscription shall also be included in the remuneration.

Note 4: Refer to the distribution amount of remuneration (including stock and cash) for President and Vice President approved by the Board for the past year, disclose the amount of remuneration distributed to employees after being approved by the Board for the past year. For amounts that are unable to estimate, propose the distribution amount for the year based on the actual distribution made last year, and fill out the Table 1-3. Net profit after tax refers to those that occurred during the past year. For companies adopted International Financial Reporting Standards, net profit after tax shall refer to those recorded in the parent company only financial report or the individual financial report for the past year.

Note 5: Disclose the total remuneration of all items paid out to the Company's President and Vice President by all companies (including the Company) in the consolidated financial report.

Note 6: The name of each President and Vice President shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to each President and Vice President by the Company.

Note 7: Disclose the total remuneration of all items paid out to the Company's President and Vice President by all companies (including the Company) in the consolidated financial report and the name of each President and Vice President in the range of remuneration corresponding to the amount of remuneration.

Note 8: Net profit after tax refers to those that occurred during the past year. For companies adopted International Financial Reporting Standards, net profit after tax shall refer to those recorded in the parent company only financial report or the individual financial report for the past year.

Note 9: a. The amount of remuneration received from investee companies other than subsidiaries by the Company's President and Vice President should be stated clearly in this column.
b. If the President and Vice President of the Company receives remuneration from investee companies other than subsidiaries, the amount of remuneration received by the President and Vice President from the investee companies other than subsidiaries shall be combined into Column E of the Table of remuneration ranges, and this column shall be renamed as "All investee companies".
c. Remuneration shall refer to compensation, remuneration (including remuneration for employees, Directors, or Supervisors), allowances, and other related remuneration received by the President and Vice President of the Company for being a director, supervisor, or managerial officer of investee companies other than subsidiaries.

＊ The concept of the disclosed remuneration in the Table differs from that of the Income Tax Act; therefore, the Table is for information disclosure only, instead of tax collection.

(IV) Separately compare and describe total remuneration, as a percentage of net profit after tax stated in the parent company only financial report or the individual financial report, as paid by the Company and by each other company included in the consolidated financial statements during the past two years to Directors, Supervisors, President, and Vice President, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

1. Total remuneration, as a percentage of net profit after tax stated in the parent company only financial report or the individual financial report, as paid by the Company in the consolidated financial statements during the past two years:

Title	2017				2018			
	Total remuneration (NT$1,000)		Percentage to the net profit after tax of the parent company only financial report or the individual financial report (%)		Total remuneration (NT$1,000)		Percentage to the net profit after tax of the parent company only financial report or the individual financial report (%)	
	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report
Director (Note)	4,832	6,110	26.49	33.49	5,683	7,959	6.47	9.06
Supervisors	42	42	0.23	0.23	-	-	-	-
Presidents and Vice President	22,170	27,323	121.52	149.76	21,935	29,845	24.98	33.98

Note: Remuneration for Directors include remuneration for Directors as concurrent employees. For 2017, the profit after tax in the parent company only financial report was NT$18,244 thousand. For 2018, the profit after tax in the parent company only financial report was NT$87,823 thousand.. Re-election for all Directors was carried out at the shareholders' meeting of the Company on Jun. 22, 2017. The Audit Committee was established to substitute Supervisors.

2. Remuneration policies, standards, and packages, the procedure for determining remuneration: Remuneration policies are set out in the Articles of Association of the Company. Shall there be an annual surplus, allocate no more than 3% as remuneration for Directors after making compensation for the accumulated losses. The actual distribution shall be discussed by the Remuneration Committee and submitted to the Board for approval and reported to the shareholders' meeting. Remuneration payment methods for President and deputy President shall be based on the requirements of the Articles of Association, the salary system of the Company and the responsibilities assumed and performances achieved for his/her post and determined based on standards for the equivalent posts within the industry.
3. Linkage to operating performance and future risk exposure: Payment of remuneration for Directors, President, and deputy President shall be based on related requirements of the Company and adjusted according to the operating performance and future risk exposure of the Company, and potential risks in the future shall be fully considered.

IV. Implementation of Corporate Governance

(I) Operations of the Board:

Information on operations of the Board

A total of 13(A) meetings were held by the Board in the past year (2018). The attendance of the Directors are as follows:

Title	Name (Note 1)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Note 2)	Note
Chairman	TU, CHUN-KUANG	3	0	100.00	Held the post as the Chairman on Nov. 1, 2018
Director	Mighty Build Ventures Limited, Seychelles (Representative: YAO CHUANG HSIEN)	10	0	100.00	Resigned on Oct. 31, 2018
Director	Angel Fund (ASIA) Investments Limited, British Cayman Islands (Representative: YAO CHUANG HSIEN)	10	1	76.92	Resigned the Chairman and re-assigned the new representative on Nov. 1, 2018
Director	China Development Mobile Technology Ltd., British Virgin Islands (Representative: LIN, CHIA-LI)	5	1	38.46	
Director	KAL Holdings Corp., Samoa (Representative: SU, CONG-RU)	6	7	46.15	
Independent Director	HUNG, PI-LIEN	13	0	100.00	
Independent Director	TSAI, CHENG-YUN	13	0	100.00	
Independent Director	HSIEH, GUO-DONG	13	0	100.00	

Other required disclosures:

I. When one of the following situations occurred to the operations of the Board, state the date and term of the Board meeting, the content of proposals, opinions of all Independent Directors and the Company's actions in response to the opinions of the Independent Directors:
   (I) Matters included in Article 14-3 of the Securities and Exchange Act:
   13 Board meetings were convened during 2018; the resolutions are as disclosed on page 50 to page 52 in the annual report. Matters included in Article 14-3 of the Securities and Exchange Act were approved as proposed by all Independent Directors.
   (II) Other resolutions of the Board, which the Independent Directors voiced objection or reservation that are documented or issued through a written statement in addition to the above: None.

II. When Directors abstain themselves for being a stakeholder in certain proposals, the name of the Directors, the content of the proposal, reasons for abstentions, and the results of voting counts should be stated:
   (1) The 7th proposal for discussion at the Board meeting on Jan. 30, 2018: The proposal for the distribution of year-end bonus for senior managerial officers for 2017: Among all the attending Directors, Director YAO CHUANG HSIEN had abstained due to interests, and the remaining Directors have approved the proposal as proposed.
   (2) The 6th proposal for discussion at the Board meeting on Aug. 8, 2018: The proposal for the distribution of remuneration for employees to managerial officers of the Company in 2017: Among all the attending Directors, Director YAO CHUANG HSIEN, and TU, CHUN-KUANG had abstained due to interests,

and the remaining Directors have approved the proposal as proposed.

(3) The 7th proposal for discussion at the Board meeting on Sep. 13, 2018: The proposal for the review on the list of nominated Director candidates by the Board meeting: Among all the attending Directors, Director TU, CHUN-KUANG had abstained due to interests, and the remaining Directors have approved the proposal as proposed.

(4) The 1st proposal for discussion at the Board meeting on Dec. 5, 2018: The proposal for the distribution of year-end bonus for senior managerial officers for 2018: Among all the attending Directors, Director YAO CHUANG HSIEN had abstained due to interests, and the remaining Directors have approved the proposal as proposed.

(5) The 2nd proposal for discussion at the Board meeting on Dec. 5, 2018: The proposal of matters concerning the awarding name list and number of shares for employees regarding restricted stock awards, and the managerial officer registrar recommended by the Remuneration Committee and the awarding number of shares: Among all the attending Directors, Director YAO CHUANG HSIEN had abstained due to interests, and the remaining Directors have approved the proposal as proposed.

III. Goals (e.g., establishing an audit committee, enhancing information transparency) primed to enhance the board of directors' professionalism and the assessment on their effectiveness for the year and the most recent year:

(1) The Company has the Remuneration Committee in place: Remuneration Committee assesses the remuneration policies and system for Directors, Supervisors, and managerial officers of the Company, and provide advice to the Board.

(2) According to the Company Act and Article 14-3, Article 14-5 of the Securities and Exchange Act, proposals that require the consent from the Audit Committee or the approval of the Board meeting have been agreed by the Audit Committee, approved by the resolution of the Board meeting for implementation (proposals that require no consent from the Audit Committee have been approved by the resolution of the Board meeting for implementation).

(3) Enhancing information transparency: The Company has announced the material resolution passed by the Board meeting according to the relevant laws and regulations.

Note 1: Where the Director or Supervisor is assumed by a corporate, disclose the name of the corporate shareholder and the name of its representative.

Note 2: (1) Where Directors or Supervisors resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual presence rate (%) shall be calculated using the number of Board meetings convened and actual presence during the term of service.

(2) When re-election is held for Directors or Supervisors before the end of the year, members of both the new and old Directors or Supervisors shall be listed in separate columns and noted as new, old or re-elected members, along with the elected date, in the remark column. Actual presence (attendance) rate (%) shall be calculated using the number of Directors' Meetings convened and actual presence (attendance) during the term of service.

(II) Operation of the Audit Committee or Supervisors' participation in the operations of Board meetings:

1. Operation of the Audit Committee

The Company's Audit Committee was established on Jun. 22, 2017. The Audit Committee met 8(A) times during the past year (2018); the attendance is as follow

Title	Name	Actual attendance rate (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Note)	Note
Independent Director	HUNG, PI-LIEN	8	0	100	
Independent Director	TSAI, CHENG-YUN	8	0	100	
Independent Director	HSIEH, GUO-DONG	8	0	100	

Other required disclosures:

I. When one of the following situations occurred to the operations of the Audit Committee, state the date and term of the Board meeting, the content of proposals, opinions of all Independent Directors and the Company's actions in response to the opinions of the Independent Directors:

(I) Items listed in Article 14-5 of the Securities and Exchange Act:

Board Date	Period	Agenda	The resolution results of the Audit Committee	Company's response regarding the Audit Committee's opinions
Mar. 30, 2018	1st Board 4th Meeting	(1) Proposal for self-inspection on the internal control system for 2017 (2) Proposal for private placement of ordinary shares (3) Proposal for the financial report for 2017 (4) Provision of loans from "Softstar International Inc." to Softstar Beijing and Softstar Shanghai in the amount of US$1 million and US$0.65 million, respectively	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
Apr. 16, 2018	1st Board 5th meeting	(1) Proposal to terminate the "share subscription agreement" signed with Khorgas Kunnuo Tiianqin Venture Capital Co., Ltd.	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
Apr. 25, 2018	1st Board 6th meeting	(1) Proposal for the capital increase for its subsidiary, Softstar Technology (Beijing) Co., Ltd.	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
May. 11, 2018	1st Board 7th	(1) Proposal for private placement of ordinary shares (amendment to the original partial proposal) (2) Proposal to provide endorsement	All members of the Audit Committee unanimously	All the directors present unanimously

		and guarantee for its subsidiaries, Softstar Technology (Beijing) Co., Ltd. and Softstar Technology (Shanghai) Co., Ltd.	approved the proposal.	approved the proposal.
May. 28, 2018	1st Board 8th meeting	(1) Supplementary agreement and guarantee contract is to be executed for the proposal for the capital increase for its subsidiary, Softstar Technology (Beijing) Co., Ltd.	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
Aug. 8, 2018	1st Board 9th meeting	(1) Amendment to the proposal for endorsement and guarantee approved by the Company on May 11, 2018 (2) Provide endorsement and guarantee for its subsidiary, Softstar Technology (Beijing) Co., Ltd. (3) Interim financial report for 2018	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
Sep. 13, 2018	1st Board 10th meeting	(1) Proposal for the issuance of restricted stock awards	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
Nov. 12, 2018	1st Board 11th meeting	(1) Assessing the independence of CPAs	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.

(II) In addition to the items in the preceding sentence, other resolutions passed by two-thirds of all the Directors but yet to be approved by the Audit Committee: None.

II. Independent Directors abstaining in certain proposals for being a stakeholder, disclose (the name of the Independent Director(s), the content of the proposal, reasons for abstentions and the results of voting counts shall be stated): No.

III. Communication between Independent Directors and head of internal audit and CPA (including material issues, audit methods, and results relating to the Company's finances and business):

The head of internal audit shall establish an annual audit plan regarding the overall finance, business, and risk evaluation results of the Company, submit an internal audit report every month, present at meetings every quarter to report each audit procedures, audit results, and improvement for deficiencies according to audit items, and carry out a comprehensive description regarding the validity assessment results for internal control at the end of the year. Furthermore, Independent Directors may require the head of internal audit to explain the execution of internal control and corporate governance at any time based on the requirements of reviews.

Independent Directors and CPAs shall have at least one regular meeting per year (by way of formal letters) to understand the audit plan and key audit matters, and to understand the financial condition and internal control audit of the group. Independent Directors may contact CPAs at any time when necessary.

＊ Where Independent Directors resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual presence rate (%) shall be calculated using the number of the Audit Committee meetings convened and actual presence during the term of service.

＊ When re-election is held for Independent Directors before the end of the year, members of both the new and old Independent Directors shall be listed in separate columns and noted as new, old or re-elected members, along with the elected date, in the Notes column. Actual presence rate (%) shall be calculated using the number of the Audit Committee meetings convened and actual presence during the term of service.

2. Operation of the Audit Committee or Supervisors' participation in Board meetings:
   The Company established the Audit Committee to replace Supervisors on Jun. 22, 2017.

(III) Implementation of corporate governance and the deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance code of practice according to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has established its "Code of Corporate Governance" and published the information in relation to corporate governance on its official corporate website according to the requirements under relevant laws and regulations.	No material deviation.
II. Shareholding structure and shareholders' interests (I) Has the Company established internal procedures for handling shareholders' proposals, inquiries, disputes, and litigations? Are such matters handled according to such internal procedures? (II) Has the Company maintained a register of substantial shareholders with controlling power as well as a register of persons exercising ultimate control over those substantial shareholders? (III) Has the Company established and enforce risk control and firewall systems with its affiliated companies? (IV) Has the Company stipulated internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	✓ ✓ ✓ ✓		(I) The Company has a spokesperson to address the problems set out on the left. (II) Substantial shareholders shall notify the Company at the beginning of the month regarding the information on equity increase/decrease or pledge for the past month; the Company shall compile the equity information of all substantial shareholders and report to the Market Observation Post System. (III) The division of responsibility and authority for personnel affairs, assets, and financial management shall be clearly defined and duly performed. The risk assessment and the appropriate firewall is duly implemented. The Company has established and duly complied with the "regulations for the management of subsidiaries," and the audit personnel has been supervising the implementation regularly. (IV) The Company has established the "Procedures for Handling Material Inside Information and Preventing Insider Trading" to prevent insider trading and protect the interests of investors and the Company.	No material deviation.
III. Composition and responsibilities of the Board (I) Has the Company established a diversification policy for the composition of its Board and has it been implemented accordingly?	✓		(I) The Company has established the diversification policy for the composition of its Board; the Board members generally have required knowledge, skills,	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
(II) Other than the Remuneration Committee and the Audit Committee required by law, does the Company plan to establish other functional committees voluntarily? (III) Has the Company established methodologies for evaluating the performance of the Board, and performed on an annual basis? (IV) Has the Company regularly implemented assessments on the independence of the CPA?	✓ ✓ ✓		and literacy for the execution of their responsibilities in respect with the operating practices or financial business of the Company. Diversification policy and the implementation are disclosed on the website of the Company. (II) Except for establishing the Remuneration Committee according to the law, the Company has increased the seats for Independent Directors during the re-election of Directors and established the Audit Committee to replace the function of Supervisors at the shareholders' meeting in 2017. (III) The Company has established the "Methodologies for Evaluating the Performance of the Board" on Jan. 11, 2017, and the Company distributed self-evaluation questionnaire to all members of the Board in December each year since 2017. Except for evaluating the operations of the Board, the questionnaire also required self-evaluations of the Board members. Five aspects of the measurement for evaluating the performance of the Board: I. Participation in the operation of the Company. II. Improvement of the quality of the Board's decision-making; III. Composition and structure of the Board; IV. Election and continuing education of the Directors. V. Internal control. Six aspects of the measurement for evaluating the performance of the Board members: I. Alignment of the goals and missions of the Company. II. Awareness of the duties of a Director.	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			III. Participation in the operation of the Company. IV. Management of internal relationship and communication. V. The Director's professionalism and continuing education. VI. Internal control. After the recollection of questionnaires in January every year, the evaluation unit of the Company's Board will report the results of the questionnaires to the Board and provide recommendations for improvement. The aforementioned regulations and assessment results are disclosed on the Company's official website. Evaluation results for the performance of the latest Board meeting(2018). For the five aspects for the overall evaluation, there are 32 key items for self-evaluation determined by the Board, and the overall achieving rate has reached over 90%. For the six aspects for the evaluation of Board members, there are 20 key items for self-evaluation determined by the Board, and the overall achieving rate has reached over 90%. Overall, the evaluation results for the performance of the Board in 2018 shall achieve the goal. The details and improvement recommendation for the above performance evaluation have been reported to the Board meeting on Jan. 30, 2019. (IV) The Company has engaged Ernst & Young for the certification, excused from its direct or indirect beneficial relationships, and has no matters lacking independence. The assessment for certification of CPA's independence by the Board of the Company every year as follows:	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			1. Matters when it does not serve as the director, supervisor, managerial officer, or position with significant effects, nor stakeholders, and there are no direct or indirect interest conflicts. 2. Has not commissioned the certification services for seven years. 3. Obtain the independence declaration issued by the CPA on a regular basis	
IV. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of board meetings and shareholders meetings, etc.) ?	✓		Finance Department of the Company is responsible for corporate governance affairs, and the deputy financial officer is responsible for supervision. The deputy financial officer is the director for corporate governance of the Company, a managerial officer of the Company, and has experiences in the management of legal affairs, finance, or stock affairs in publicly listed companies for more than three years. Corporate governance affairs and functional authority of corporate governance personnel include the following: I. Handling corporate registration and alteration registration. II. Handling matters relating to Board meetings and shareholders' meetings according to laws, and assist the company in complying with relevant laws and regulations regarding Board meetings and shareholders' meeting. III. Producing minutes of Board meetings and shareholders' meetings. IV. Provide the information required for the execution of operations and latest legal development in relation to operating a company to Directors and Supervisors, so as to assist Directors and Supervisors in complying laws and regulations.	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			V. Affairs related to investors relation. VI. Other matters stated in the Articles of Association or contracts.	
V. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate social responsibilities?	✓		The Company respects and protects the legal interests of its stakeholders. Except for creating the communication contact in the Stakeholders Section on its Company website, the Company also has a spokesperson and deputy spokesperson to make proper responses to the material corporate social responsibilities issues that our stakeholders concern and provide a channel for smooth communication.	No material deviation.
VI. Has the Company engaged a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	✓		The Company engaged the Stock Affair Agency Department of Yuanta Financial Holding Co., Ltd as its stock affair agency.	No material deviation.
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding its financial business and corporate governance information? (II) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc.)?	✓ ✓		(I) The corporate website of the Company has an Investor Section and Corporate Governance Section, disclosing its complete information regarding financial report and turnover and information related to corporate governance (website: http://group.softstar.com.tw). (II) The Company adopts other methods for information disclosure. 1. Designate personnel to report and disclose financial and business information on the Market Observation Post System and the corporate website of the Company regularly and aperiodically. 2. Established a spokesperson system.	No material deviation.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training	✓		1. Employee rights: The Company treat its employees with good faith and attach great value to the labor-management relationship. The Company has established the Employee Welfare Committee, Labor Meeting, Labor Pension Committee, and has	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors and Supervisors of the Company)?			been improving employee rights through multiple welfare measures and training. 2. Employee wellness: The Company holds employees' safety, mental and physical health in high regards, provides a comfortable and safe working environment for employees. The working premise is sterilized on a regular basis to improve the quality of the working environment. Free health inspection is provided for employees on a yearly basis to care for the physical health of our employees. 3. Investor relations: The Company has a spokesperson, deputy spokesperson, as well as its stock affair agency, Stock Affair Agency Department of Yuanta Financial Holding Co., Ltd, to provide consultancy for shareholders and investors. 4. Supplier relations: The Company maintain healthy relationships with its suppliers for the stability of costs and supplies. 5. Rights of stakeholders: Stakeholders may communicate with and provide recommendations to the Company. 6. Directors' and Supervisors' training records: The Company aperiodically provide programs regarding relevant regulations and professional knowledge to Directors and Supervisors for their perusals. 7. Implementation of risk management policies and risk evaluation measures: The Company has established relevant risk management policies and risk measurement standards to carry out risk management and assessments. 8. Implementation of customer relations policies: The Company specifies the credit limit management in customers' data, establishes complete profiles for	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			corresponding customers, and grants proper limit and collection conditions to ensure the smooth transactions. Furthermore, the Company values the privacy protection of consumers that it has been enforcing the protection of customers' data. The audit unit would perform unscheduled reviews. 9. Purchasing insurance for Directors and Supervisors of the Company since December 2007.	
IX. Specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved. (Not required for companies not included in the evaluation) Taiwan Stock Exchange's Corporate Governance Center published the corporate governance review result for 2018 in April 2019. The Company shall improve the following corporate governance review items in 2019: Prepare English meeting notice, meeting agenda, annual report, and annual financial report, and encourage all Directors to improve their training hours.				

Note: Regardless of ticking "Yes" or "No" for operations, a description is required in the Summary column.

(IV) If the Company has the Remuneration Committee in place, disclose its composition, function, and operations:

Information on the members of the Remuneration Committee

Identity (Note 1)	Condition / Name	Has more than five years of work experience and the following professional qualifications			Compliance with the Independence (Note 2)								Number of other publicly listed companies where the individual concurrently serves as a member of the Remuneration Committee	Note
		An instructor or above in the Department of Business/Legal/Finance/Accounting or Other Company Affairs-related subjects at Public/Private University/College	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has working experiences in business, legal affairs, finance, accounting, or operations of the Company	1	2	3	4	5	6	7	8		
Independent Director	HUNG, PI-LIEN		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	TSAI, CHENG-YUN			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	HSIEH, GUO-DONG			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please fill in Director, Independent Director, or others in the Identification column.

Note 2: For any committee member who fulfills the relevant condition(s) two years before being elected or during the term of office, please provide the "□" sign in the field next to the corresponding condition(s).✓

(1) Not employed by the Company or its affiliated companies.

(2) Not a Director or Supervisor of the Company or any of its affiliated companies. However, Independent Directors of the Company or its parent company, subsidiaries assigned according to the Act or local laws and regulations shall be excluded.

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minors, or in the name of others.

(4) Is not a spouse, second-degree relative, or direct, blood-related third-degree relative of the personnel listed in the first three critera.

(5) Not a Director, Supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or shareholder who holds more than five (5) percent of shares of companies or institutions that have financial or business dealings with the Company

(7) Not a professional individual or owner, partner, Director (member of the governing board), Supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business.

(8) No condition defined in Article 30 of the Company Law has appeared.

Operations of the Remuneration Committee

I. The Remuneration Committee of the Company is composed of three members.

II. Term of the committee members: From Jun. 30, 2017 to Jun. 21, 2020; 4(A) meetings were held by the Remuneration Committee in the past year (2018), qualification and attendance of the committee members are as follow:

Title	Name	Actual attendance rate (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Note)	Note
Independent Director (convener)	HUNG, PI-LIEN	4	0	100	
Independent Director	TSAI, CHENG-YUN	4	0	100	
Independent Director	HSIEH, GUO-DONG	4	0	100	

Other required disclosures:

I. In the event the Board does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and term of the Board meeting, the content of proposals, resolution from the Board of Directors, and the Company's actions in response to the opinions of the Remuneration Committee (e.g., if the salaries and compensations approved by the Board was higher than the suggested levels from the Remuneration Committee, please state the differences and reasons): None.

II. For the decisions made by the Remuneration Committee, which members voiced objection or reservation that are documented or issued through a written statement in addition to the above, all members' comments, and the measures for handling these comments shall be elaborated: None.

Note 1: Where members of the Remuneration Committee resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual presence rate (%) shall be calculated using the number of Remuneration Committee meetings convened and actual presence during the term of service.

Note 2: When re-election is held for members of the Remuneration Committee before the end of the year, members of both the new and old members of the Remuneration Committee shall be listed in separate columns and noted as new, old or re-elected members, along with the elected date, in the remark column. Actual presence rate (%) shall be calculated using the number of Remuneration Committee meetings convened and actual presence during the term of service.

(V) Fulfillment of social responsibilities

Assessment item	Operations (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
I. Implementing corporate governance (I) Has the Company set out corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of CSR actions? (II) Does the Company conduct CSR education and training on a regular basis? (III) Has the Company established a special unit for the promotion of CSR and that the Board authorized senior management for handling, and senior management shall report to the Board for such handling? (IV) Has the Company established a fair remuneration policy and linked employee performance evaluation with CSR policy, as well as established a precise and effective incentive and disincentive system?	✓ ✓ ✓ ✓		(I) Striving to implement CSR, the Company has established its "Corporate Social Responsibility Best Practice Principles." For gift planning, the Company prioritizes the gifts provided by public welfare groups to care for public welfare groups with real acts. For example, the Company ordered 100 boxes of products from Down Syndrome Association Taiwan for Chinese New Year in 2018 and continued to support the K. T. Creativity Award for years. The Company also aperiodically cooperated with public welfare groups to spread out the power of goodness through the efforts of the Company, (II) The Company focuses on CSR training, and promote relevant matters on regular management meetings. (III) The Company has not established a dedicated unit for CSR, which is primarily co-managed by President Office, Administrative Department, Management Department, and the Employee Welfare Committee. They are primarily responsible for the proposal and execution of CSR policies, system, or related management directions, and particular promotional plan, and regularly report to the Board. (IV) The Company performs employees' performance audit every year, sets out specific and effective reward and punishment system. The Remuneration Committee is also in place to provide recommendations on remuneration to the Board.	No material deviation
II. Developing a sustainable environment				No material deviation

Assessment item	Operations (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
(I) Has the Company committed to improving the efficient use of resources and utilized renewable resources to reduce environmental impact? (II) Has the Company established proper environmental management systems based on the characteristics of their industries? (III) Does the Company monitor the impact of climate change on their operations and establish company strategies for energy conservation and carbon and greenhouse gas reduction based upon their operations and the result of a greenhouse gas inventory?	✓ ✓ ✓		(I) The Company understands its social responsibilities, commits to the paperless e-policy, promotes and implements the usage of recycled paper and related products with Green Mark. (II) To reduce product packaging, the Company commits to focus on virtual sales channels. The Company recycles the packaging of its physical products according to recycling requirements, hoping to minimize the effects on the environment. The Company is not in the manufacturing industry; therefore, ISO 14001 is not applicable. The Management Department and outsourced parties are responsible for environmental affairs of the Company. (III) The Company adheres to energy conservation and carbon reduction, including improvement of lighting equipment, using electronic forms and documents, energy conservation, garbage classification, light-out lunch break, employees bringing their own cutleries, and resources recycling and reuse.	
III. Protect social welfare (I) Has the Company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty? (II) Has the Company established an employee appeal system and channels, and are employee appeals handled appropriately? (III) Does the Company provides safe and healthful work environments for their employees and organizes training on safety and health for their employees on a regular basis?	✓ ✓ ✓		(I) The Company complies with relevant labor regulations and has established "Working Rules" and "Regulations for Employees Welfare" to protect labor rights. (II) The Company has President mailbox and personnel affair mailbox in place, any complaints may be proposed directly, handled, and responded. (III) The Company provides a fine working environment, carries out employee health inspection, and purchases group insurance for all	No material deviation

Assessment item	Operations (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
(IV) Has the Company installed a periodic communications mechanism, and alerts operational changes that may pose significant impacts on its employees in a fair manner? (V) Has the Company established an effective competency development career training program for employees? (VI) Has the Company established relevant policies and systems of appeal for consumer rights for the processes of research and development, purchasing, production, operations, and services? (VII) With regard to marketing and labeling of products and services, does the Company comply with related regulations and international standards? (VIII) Prior to entering a business relationship with a supplier, does the Company determine whether the supplier has any records of negatively affecting the environment and society? (IX) Does Company's contracts with its major suppliers include provisions for terminating the contract at any time in the event that the suppliers are involved in any activities that violate Company CSR policies and that significantly affect the environment and society?	✓ ✓ ✓ ✓ ✓ ✓		employees. (IV) The Company arranges immediate supervisors and the Department of Personnel Affairs as the consultancy window to maintain good communication channels with employees. The Company has established the Employees Welfare Committee and convenes labor meeting and employee congress to protect employees right. (V) In order to improve the required skills and management abilities of employees for the performance of their duties, the Company encourages its employees to participate in classes for training and values its internal training and experience sharing. (VI) The Company engages in the game industry and has customer services and customer complaints handling standards and procedures in place; multiple customer complaints channels are available, and there are also specialists responsible for handling customer complaints. (VII) The Company attaches extreme importance on the protection of its trademark and its corporate image. It also works with professional law firms for relevant consultancy, complies with regulations, and adopts necessary measures. (VIII) The Company collects relevant information before signing contracts with suppliers and adopts the measure of annual evaluation for suppliers. (IX) When selecting cooperating suppliers, the Company considers the policies of suppliers regarding all aspects of CSR. If products of such suppliers have significant effects on the environment and society, the Company requires	

Assessment item	Operations (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
			such suppliers to make improvements. The contracts between the Company and its major suppliers have agreed on the unilateral contract termination terms. If the Company acknowledges that the suppliers are involved in any activities that violate Company CSR policies and that significantly affect the environment and society, the Company may unilaterally terminate the contracts.	
IV. Strengthening information disclosure (I) Does the Company disclose on its website and TWSE market observation post system relevant and reliable information about Company CSR?	✓		The Company announces information related to corporate governance that shareholders and public investors concern on the Market Observation Post System according to laws and regulations and updates information related to corporate responsibilities on its website.	No material deviation
V. Where the Company has stipulated its own CSR best practices principles according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe any differences between the prescribed best practices and the actual activities taken by the company: The Company has established its own CSR best practices principles, and the operations have no significant deviation from the principles. The Company will continue to implement various events beneficial to the social welfare through topics of environmental protection, consumers rights, safety and hygiene, and social welfare, striving to fulfill our greatest purpose of "taken from society, give back to society."				
VI. Other material information contributes to understanding CSR operations. 1. Promote and implement concepts of environmental protection. 2. Value social care and provide help and support to vulnerable groups in society. 3. Attach importance to the cultural and artistic atmosphere and participate in public welfare events of art.				
VII. If the Company products or CSR report have received certification from relevant certification bodies, disclose in detail: N/A.				

Note 1: Regardless of ticking "Yes" or "No" for operations, a description is required in the Summary column.

Note 2: For companies established their own CSR best practices principles, the Summary may be replaced with notes to refer to its CSR report and page numbers.

(VI) Implementation of ethical corporate management and measures for its adopted measures

Implementing ethical corporate management

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
I. Establish ethical corporate management policies and scheme (I) Has the Company clearly shown its ethical operational policy and methods in its regulations and external documents, in addition, and has the Board and management proactively implemented the commitment to ethical business operations in practice? (II) Does the Company set a plan to forestall unethical conduct, clearly prescribed procedures/best practices/disciplinary actions and reporting systems for violations in plans, and implemented the plans accordingly? (III) Does the Company establish appropriate compliance measures for the business activities prescribed in paragraph 2, article 7 of Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and any other such activities associated with a high risk of unethical conduct?	✓ ✓ ✓		(I) The Company has established the "Ethical Corporate Management Best Practice Principles" to actively implementing its ethical corporate management. (II) The Company has established "Procedures for Ethical Management and Guidelines for Conduct" and the "Codes of Ethical Conduct" to provide for the protection of unethical conducts and post-handling; supervisors at each level also attach importance to the promotion of ethical conducts. (III) The Company has established "Procedures for Ethical Management and Guidelines for Conduct" and the "Codes of Ethical Conduct" to provide for highly unethical conducts (i.e., receiving bribery and misappropriation of public funds) within our business scope. Except for specifying unethical as a matter for dismissal in the code of conduct for employees, the Company will also file litigation based on the legal responsibilities of the related matters.	No material deviation.
II. Implementing integrity operation (I) Does the Company assess the ethics records of whom it has business relationships with and include business conduct and ethics related clauses in the business contracts? (II) Has the Company established a unit which is dedicated to or tasked with promoting the Company's ethical standards and reports directly to the Board with periodical updates on relevant matters?	✓ ✓ ✓		(I) Before any business dealings, the Company would collect information to assess the ethical corporate management status of counterparties, and make efforts to include ethical corporate management as the term of contracts or specify the ethical matters, and explain the ethical corporate management policies of the Company to the trading counterparties. (II) The Company has yet established a unit which is	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
(III) Has the Company established policies to prevent conflict of interests, provide appropriate communication and complaint channels, and implement such policies properly? (IV) To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems that are audited by internal auditors or CPAs periodically? (V) Has the Company hosted regular internal and external training geared towards business integrity practices?	✓ ✓		dedicated to promoting the ethical corporate management, which is primarily co-managed by a team formed by the Administrative Department, Management Department, and the Personnel Affairs Department. They are primarily responsible for the establishment of ethical corporate management policies and prevention scheme and supervising the implementation, including "Procedures for Ethical Management and Guidelines for Conduct," "Whistle-blowing System," and the "Codes of Ethical Conduct." The team subordinates to the Board and regularly reports to the Board. (III) Where the Director has interests in the proposals at the Board meeting, the Director may address his/her opinions and provide consultancy; however, he/she shall abstain from the discussion and vote. When reviewing contracts, the Company shall check the relationship of the signing parties, nature of the contracting matters, and risks of potential conflict of interests in the course of performing contracts. When there are suspicious conflicts of interests upon the execution of duties, employees may consult the Legal Department and report to its immediate supervisor. (IV) The Company established its accounting and internal control system according to relevant regulations, including paying attention to related party transactions, establishing the system for price inquiry/comparison/negotiation and approval system with hierarchical authorization. The Auditing Office also regularly audits the	

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
			compliance status of the accounting system and internal control system and reports to the Board. (V) The Company regularly or aperiodically organizes communications and training.	
III. Operation of the Company's whistle-blowing system (I) Has the Company established specific complaint and reward procedures, set up conveniently accessible complaint channels, and designated responsible individuals to handle the complaint received? (II) Has the Company established standard operating procedures for investigating the complaints received and relevant confidential mechanism? (III) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓ ✓ ✓		The Company has a "Whistle-blowing System" in place, which sets out the responsible unit and provides for standard operating procedures for investigating the complaints received and relevant confidential mechanism, and stipulates protective terms for those who filed the complaints to prevent them from being mistreated due to such complaints.	No material deviation.
IV. Strengthening information disclosure (I) Does the Company disclose its ethical corporate management best practice principles as well as information about the implementation of such guidelines on its website and Market Observation Post System?	✓		The Company has established its official corporate website to disclose the Ethical Corporate Management Best Practice Principles" of the Company and relevant information	No material deviation.
V. Where the Company has stipulated its own ethical corporate management best practices according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any differences between the prescribed best practices and the actual activities taken by the company: The Company has established its own "Ethical Corporate Management Best Practice Principles," and the operations have no significant deviation from the principles.				
VI. Other material information contributes to understanding the ethical corporate operations of the Company: (i.e., Company review and make amendments to its ethical corporate operations) 1. The "Ethical Corporate Management Best Practice Principles" of the Company was passed at the Board meeting on Nov. 8, 2016, and was established with reference to the latest published Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies. The Company will keep abreast the latest laws and regulations as well as the actual operation of the Company for review and amendments in the future. 2. The Company implements the provisions for conflicts of interests within ethical corporate operations. If any Director or a juristic person represented by a Director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the				

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
respective meeting. When the relationship is likely to prejudice the interests of the Company, the Director may not participate in discussion or voting on that agenda item, and further, shall abstain from the discussion and voting, and may not act as another Director's proxy to exercise voting rights on that matter.				

Note 1: Regardless of ticking "Yes" or "No," description is required in the Summary column.

(VII) Where the Company has stipulated its code of corporate governance and relevant rules, disclose its inquiry methods:
For any inquiry, please visit the Corporate Government Section at the official corporate website of the Company (http://group.softstar.com.tw).

(VIII) Other material information that can enhance the understanding of the state of corporate governance of the Company: None.

(IX) Implementation of the internal control system

1. Internal control statement

Softstar Entertainment Inc.

Internal control system statement

Date: Mar. 19, 2019

Regarding the internal control system of the Company in 2018 and based on the results of its self-assessment, the Company hereby declares as follow:

I. The Company acknowledges that the establishment, implementation, and maintenance of the internal control system is the responsibility of the Company's Board and managerial officers, and the Company had established the system. The objectives of internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.

II. The internal control system has inherent limitations, regardless of how complete is its design; an effective internal control system may only provide reasonable assurance regarding the three objectives described above. Also, subject to the changes of environment and circumstances, the effectiveness of the internal control system may alter. However, the internal control system of the Company has a self-monitoring mechanism in place; once a defect is identified, the Company will take immediate rectifying actions.

III. The Company determine the validity for the design and execution of the internal control system based on the criteria for the effectiveness of the internal control system provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter, the "Regulations") The criteria for the internal control system adopted by the Regulations are divided into five components in accordance with the procedure s of management control: 1. control environment; 2. risk assessment; 3. control operations; 4. information and communication; and 5. monitoring operations. Each constituent element includes a number of categories. Each components include certain criterion. Please see the requirements under the Regulations for the above criterion.

IV. The Company has adopted the aforementioned assessment items of the internal control system to evaluate the effectiveness of ICS design and implementation.

V. Based on the assessment results in the previous paragraph, the Company considers that, the internal control system (including the supervision and management regarding subsidiaries) of the Company on Dec. 31, 2018, including the effect of understanding its operations and the degree of achieving the efficiency target, reliable, immediate and transparent media press, and the design and execution for internal control system related to the compliance with relevant laws and regulations are effective, which reasonably ensures the achievement of the above objectives.

VI. The Statement will become the primary content in the annual report and prospectuses of the Company and will be made public. Falsehood, concealment, or other illegality in the above content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

VII. The Statement was approved at the Board meeting on Mar. 19, 2019. Among all six attending Directors, none of them held opposite opinions, and the remaining agreed with the content of the Statement and thus making the declaration.

Softstar Entertainment Inc.

Chairman: TU, CHUN-KUANG

President: TSAY, MING-HONG

2. Any CPA commissioned to conduct a project review of the internal control system shall disclose the CPA's audit report: N/A.

(X) For the past year and up to the date of printing the annual report, explain the circumstances in which the Company and its personnel have been punished by law, the disincentives measures put in place for breaching the internal control system, and any material deficiencies and revisions: None.

(XI) Significant resolutions made at the shareholders' meetings and the Board meetings for the past year and up to the date of printing the annual report:

1. Significant resolutions at the shareholders' meeting and the implementation

- The general shareholders' meeting of the Company for 2018 was held at Room 103 of the Taipei International Convention Center on Jun. 29, 2018. The resolutions approved by the attending shareholders at the meeting are as follow:

(1) Approved the operating report and financial statements for 2017.

(2) Approved the appropriation of retained-earning for 2017.

Execution: After the appropriation of the legal capital reserve and special reserve from the net profit after tax of the Company for 2017, no dividends will be distributed.

(3) Approved the amendments to partial provision of the "Articles of Association."

Execution: The Ministry of Economic Affairs approved the registration on Jul. 25, 2018, and was announced on the website of the Company.

(4) Cancel the non-competition restriction on the Directors and its representatives.

Execution: Cancelled the non-competition restriction on four Directors, including TU, CHUN-KUANG, LIN, CHIA-LI, SU, CONG-RU, and HSIEH, GUO-DONG.

(5) Proposal for carrying out the private placing of ordinary shares.

Execution: The placing was not completed, and the Board meeting arrived at the resolution on Mar. 29. 2019 that, the private placing would expire on Jun. 29, 2018, and the Company has no intention to continue the placing, which shall be reported at the shareholders' meeting of 2019.

- The 1st extraordinary shareholders' meeting of the Company for 2018 was held at Room 103 of the Taipei International Convention Center on Nov. 1, 2018. The resolutions approved by the attending shareholders at the meeting are as follow:

(1) By-election of one seat of Director: Mr. TU, CHUN-KUANG.

Execution: The Ministry of Economic Affairs approved the registration on Nov. 6, 2018, and was announced on the website of the Company.

(2) Cancel the non-competition restriction on the newly elected Directors and its representatives.

Execution: Cancelled the non-competition restriction on the newly elected Directors TU, CHUN-KUANG.

(3) Proposal for the issuance of restricted stock awards.

Execution: The letter Jin-guan-fa-zi No. 1070341579 from the Financial Supervisory Committee on Nov. 21, 2018 had approved the issuance of restricted stock awards amounted to 1,500,000 shares, and the Board meeting of the Company on Dec. 5, 2018 has arrived at the issuance date of Jan. 5, 2019.

2. Significant resolutions of the Board meeting

The Company has convened 17 Board meetings during 2018 and up to the date of printing the annual report in 2018; the summary for significant resolutions are as follow:

(1) 2018:

Date	Term of the Board meeting	Significant resolution
Jan. 30, 2018	1st meeting of 2018	(1) Increase the investment in WECOOL GAME CO., LTD. in an amount of NT$5 million. (2) Softstar Technology (Beijing) Co., Ltd. intended to increase the capital contribution to its subsidiary, Softstar Technology (Shanghai) Co., Ltd., in an amount of CNY3 million. (3) Proposal for the budget and operating plans for 2018 (4) Proposal for amending the "Rules of Organization for the Remuneration Committee" of the Company (5) Proposal for the establishing the "Regulations for the Audit of Senior Managerial Officers" (6) Discussion of the proposal for salary adjustment related to the managerial offices of the company (7) Proposal for the distribution of year-end bonus for senior managerial officers for 2017
Feb. 27, 2018	2nd meeting of 2018	Report on the Progress of the Capital Increase in Softstar Technology (Beijing) Co., Ltd.
Mar. 30, 2018	3rd meeting of 2018	(1) Proposal for discontinuing the private placing of ordinary shares passed by the shareholders' meeting of the Company on Jun. 22, 2017 (2) Proposal for self-inspection on the internal control system in 2017 (3) Proposal for canceling the non-competition restriction on managerial officers (4) Proposal for the distribution of employee and Director remunerations for 2017 (5) Financial report for 2017 (6) Proposal for appropriation of retained-earning for 2017 (7) Proposal for canceling the issuance of restricted stock awards in an amount of 8,400 shares (8) Proposal for carrying out the private placing of ordinary shares (9) Proposal for the convening date and relevant matters for the general shareholders' meeting for 2018 (10) The procedures for the introduction of proposals by shareholders, the review standards, and the working procedures (11) Provision of loans from "Softstar International Inc." to

		Softstar Beijing and Softstar Shanghai in the amount of US$1 million and US$0.65 million, respectively (12) Proposal for an indirect capital increase to Softstar Technology (Beijing) Co., Ltd. by "Softstar International Inc." from the third region in an amount of US$1 million (13) Softstar Technology (Beijing) Co., Ltd. intended to increase the capital contribution to its subsidiary, Softstar Technology (Shanghai) Co., Ltd., in an amount of CNY2.5 million. (14) Proposal for rectification for investments in subsidiaries
Apr. 16, 2018	4th meeting of 2018	(1) Proposal to terminate the "share subscription agreement" signed with Khorgas Kunnuo Tiianqin Venture Capital Co., Ltd.
Apr. 25, 2018	5th meeting of 2018	(1) Proposal for the capital increase for its subsidiary, Softstar Technology (Beijing) Co., Ltd.
May. 11, 2018	6th meeting of 2018	(1) Proposal for amendments to partial provision of the "Articles of Association" (2) Proposal for canceling the non-competition restriction on the Directors and its representatives. (3) Proposal for the private placing of ordinary shares (amendment to the original proposal on Mar. 30, 2018) (4) Alteration to the meeting agenda for the general shareholders' meeting of the Company for 2018 (5) Proposal for the application of bank facilities by the Company (6) Proposal to provide endorsement and guarantee for its subsidiaries, Softstar Technology (Beijing) Co., Ltd. and Softstar Technology (Shanghai) Co., Ltd.
May. 28, 2018	7th meeting of 2018	(1) Proposal for the execution of the supplementary agreement and (guarantee contract) for the capital increase for its subsidiary, Softstar Technology (Beijing) Co., Ltd.
Aug. 8, 2018	8th meeting of 2018	(1) Amendment to the endorsement and guarantee provided by the Company on May 11, 2018 (2) Proposal for the application of bank facilities (3) Provide endorsement and guarantee for its subsidiary, Softstar Technology (Beijing) Co., Ltd., in an amount of CNY13 million (4) Re-collect the canceling issuance of restricted stock awards in an amount of 28,350 shares (5) Proposal for rectifying the capital increase by the Company to investee companies (6) Proposal for the distribution of remuneration for employees to managerial officers of the Company in 2017
Sep. 13, 2018	9th meeting of 2018	(1) Proposal for the issuance of restricted stock awards (2) Proposal for the application of bank facilities (3) By-election of one seat of Director (4) Proposal for canceling the non-competition restriction on the newly elected Directors and its representatives.]

		(5) Provide for relevant matters regarding the extraordinary shareholders' meeting of the Company for 2018 (6) The procedures for the introduction of proposals by shareholders and Directors, the review standards, and the working procedures (7) Review on the list of nominated Director candidates by the Board meeting
Oct. 5, 2018	10th meeting of 2018	(1) Proposal for reviewing shareholder who holds more than one (1) percent of shares of companies at the 1st extraordinary shareholders' meeting for 2018 (2) Proposal for rectifying the capital increase by the Company to investee companies
Nov. 1, 2018	11th meeting of 2018	【Election】: TU, CHUN-KUANG was elected as the new Chairman
Nov. 12, 2018	12th meeting of 2018	(1) Annual audit plan for 2019 (2) Assessment for the independence of CPAs (3) Proposal for rectifying the capital increase to investee companies (4) "Softstar Technology (Shanghai) Co., Ltd." providing loans to others (5) Softstar Entertainment proposed to increase the capital contribution in A.R.T. Games Co., Ltd in an amount of NT$4.9 million with a shareholding of 49%
Dec. 5, 2018	13th meeting of 2018	(1) Proposal for the distribution of year-end bonus for senior managerial officers for 2018 (2) Proposal for matters concerning the awarding name list and number of shares for employees regarding restricted stock awards, and the managerial officer registrar recommended by the Remuneration Committee and the awarding number of shares (3) Issuance date of restricted employee shares in 2018 (4) Proposal for bank facilities

(2) For 2019 and as of the date of printing share certificates:

Date	Term of the Board meeting	Significant resolution
Jan. 30, 2019	1st meeting of 2019	(1) Supplementary agreement and guarantee contract is to be executed for the proposal for the capital increase for its subsidiary, Softstar Technology (Beijing) Co., Ltd. (2) Proposal for rectifying the capital increase by the Company to investee companies
Mar. 19, 2019	2nd meeting of 2019	(1) Proposal for self-inspection on the internal control system for 2018 (2) Amendments to the internal control system and audit system of the Company (3) Assessing the independence of CPAs (4) Proposal for the distribution of employee and Director remunerations for 2018 (5) Proposal for discontinuing the private placing of ordinary shares passed by the shareholders' meeting of

		the Company on Jun. 29, 2018 (6) Operating report, parent company only financial report, and consolidated financial statements for 2018 (7) Proposal for appropriation of retained-earning for 2018 (8) Proposal for carrying out the private placing of ordinary shares (9) 3. Proposal for amending partial provisions of the "Procedures for Acquisition or Disposal of Assets" (10) Proposal for canceling the non-competition restriction on the Directors and its representatives (11) Proposal for the convening date and relevant matters for the general shareholders' meeting for 2019 (12) The procedures for the introduction of proposals by shareholders, the review standards, and the working procedures (13) Proposal for the budget and operating plans for 2019 (14) Proposal for rectification for investments in subsidiaries (15) Softstar Technology (Beijing) Co., Ltd. intended to increase the capital contribution to its subsidiary, Softstar Technology (Shanghai) Co., Ltd., in an amount of CNY5.5 million. (16) Proposal for the capital increase in its subsidiary, Gamebase Digital Media Corporation, in an amount of NT$5 million (17) Proposal for the application of bank facilities by the Company (18) Providing endorsement and guarantee for its subsidiaries, Softstar Technology (Beijing) Co., Ltd. (CNY25 million) (19) Establishment of the "Corporate Governance Director" of the Company (20) Amendments to the loans to others provided by the subsidiary "Softstar International Inc."
Apr. 30, 2019	3rd meeting of 2019	(1) Proposal for the capital increase for its subsidiary, Softstar Technology (Beijing) Co., Ltd.
May. 10, 2019	4th meeting of 2019	(1) Proposal for an indirect capital increase to Softstar Technology (Beijing) Co., Ltd. by "Softstar International Inc." from the third region (2) Proposal for the application of bank facilities by the Company (3) Proposal for providing endorsement and guarantee for its subsidiaries, Softstar Technology (Beijing) Co., Ltd. (NT50 million) (4) Proposal for the capital increase in its subsidiary, Gamebase Digital Media Corporation, in an amount of NT$10 million

(XII) For the significant decisions passed by the Board meeting during the past year printing the annual report, which the Directors or Supervisors voiced objection or reservation that are documented or issued through a written statement, disclose the major content: None.

(XIII) For the past year and as of the date of printing the annual report, a summary of the resignation and dismissal of the Company personnel including the Chairman, President, head of the accounting, head of the finance, head of the internal audit, and head of the R&D:

Summary of resignation and dismissal of persons associated with the Company

May 10, 2019

Title	Name	Date of appointment	Date of departure	Reason for resignation or dismissal
Chairman	Angel Fund (ASIA) Investments Limited, British Cayman Islands	Jun. 22, 2017	Nov. 1, 2018	Resignation as the Chairman: The Board proposed TU, CHUN-KUANG as the new Chairman on Nov. 1, 2018

V. Information Regarding the Company's Audit Fee and Independence.

1. Where the payment of non-audit fees for CPAs, offices subordinated to the CPA firm, and its affiliated companies is more than one-fourth of the audit-fees, disclose the amount and content for audit and non-audit fees: None
2. Where the CPA firm was replaced, and the audit fees during the year, when the replacement was made, were less than that in the previous year before replacement, the amount of audit fees paid before/after replacement and reasons for paying this amount shall be disclosed: None.
3. Where accounting fee paid for the year was more than 15% less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

Table of professional fees ranges

Name of the accounting firm	Name of CPA		Audit period	Note
Ernst & Young	YU, CHIEN-JU	YANG, CHIH-HUEI	Jan. 1, 2018 - Dec. 31, 2018	

Note: Where the Company replaces the CPA or accounting firm, the auditing periods of the former and successor CPA or firm shall be annotated separately. The reason for the replacement shall be provided in the Notes section accordingly

Reasons for alteration

Unit: NT$1,000

Category of fees / Interval of the amount		Audit fees	Non-audit fees	Total
1	Below NT$2,000,000		✓	
2	NT$2,000,000 (inclusive) - NT$4,000,000	✓		✓
3	NT$4,000,000 (inclusive) - NT$6,000,000			
4	NT$6,000,000 (inclusive) - NT$8,000,000			
5	NT$8,000,000 (inclusive) - NT$10,000,000			
6	Above NT$10,000,000			

Note: Audit fees were NT$3,010 thousand; non-audit fees were NT$420 thousand.

Information on CPA professional fees

Unit: NT$ 1,000

Name of the accounting firm	Name of CPA	Audit fees	Non-audit fees					Auditing period for the CPA	Note
			System design	Business registration	Human resource	Other (Note 2)	Sub-total		
Ernst & Young	YU, CHIEN-JU YANG, CHIH-HUEI	3,010	-	20	-	400	-	Jan. 1, 2018 - Dec. 31, 2018	Note 3

Note 1: Where the Company replaces the CPA or accounting firm, the auditing periods of the former and successor CPA or firm shall be annotated separately. The reason for the replacement shall be provided in the Notes section accordingly. The audit and non-audit fees paid to the former and succeeding CPA or firm shall also be disclosed.

Note 2: Set out the non-audit fees separately according to the service categories; where the "Others" of non-audit fees have reached 25% of the total non-audit fees, the service content shall be provided in the Notes section accordingly.

Note 3: The "Others" of non-audit fees was the business registration expenses of NT$20 thousand after the shareholders' meeting and professional fees for IFRS 15 project changing services of NT$400 thousand

VI. Changing of Auditors

(I) Information on the previous CPA

<table>
<tr><td>Date of replacement</td><td colspan="4">Jun. 30, 2017 (Date passed by the Board meeting)</td></tr>
<tr><td>Reasons and explanations for replacement</td><td colspan="4">Required by the business and administration of the Company.</td></tr>
<tr><td rowspan="3">Explanation refers to the authorizing party or the CPA terminated or rejected the authorization</td><td colspan="2">Involving party
Circumstance</td><td>CPA</td><td>Authorizing party</td></tr>
<tr><td colspan="2">Voluntarily terminated the authorization</td><td></td><td>✓</td></tr>
<tr><td colspan="2">Reject the (continuing) authorization</td><td></td><td></td></tr>
<tr><td>The opinions and reasons in the signed and issued audit reports which were not "qualified opinions" in the last two years</td><td colspan="4">N/A</td></tr>
<tr><td rowspan="7">Has (no) disagreement with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="2">Scope or procedure of auditing</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Other disclosures (Disclosure required by Item 1-4 to Item 1-7, Sub-section 6, Article 10 of the Standards)</td><td colspan="4">None</td></tr>
</table>

(II) Successor CPA

Name of accounting firm	Ernst & Young
Name of CPA	YU, CHIEN-JU, CPA; YANG, CHIH-HUEI, CPA
Date of authorization	Jun. 30, 2017 (Note: Date on which the resolution was made at the Board meeting)
Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that may be included on financial statements before the appointment of new CPAs	None
Written opinion regarding disagreement on matters between the successor CPA and the previous CPA	None

(III) Responding letter from the previous CPA regarding matters set out in Item 1 and Item 2-3, Sub-section 6, Article 10 of the Standards: N/A.

VII. Where the Company's Chairman, President, or any managerial officer in charge of finance or accounting matters has, during the past year, held a position at the accounting firm of its CPA or at an affiliated company of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed:

None.

VIII. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(I) Change in the equities of the Directors, Supervisors, managerial officers and substantial shareholders

Unit: Share

Title (Note 1)	Name	2018		As of Apr. 12, 2019	
		Change in shares held	Change in number of pledged shares	Change in shares held	Change in number of pledged shares
Chairman	TU, CHUN-KUANG	0	0	0	0
Director/Substantial shareholder	Angel Fund (ASIA) Investments Limited, British Cayman Islands	(80,000)	0	0	0
Director (Note 1)	Mighty Build Ventures Limited, Seychelles	0	0	0	0
Director	China Development Mobile Technology Ltd., British Virgin Islands	0	0	0	0
Director	KAL Holdings Corp., Samoa	0	0	0	0
Independent Director	HUNG, PI-LIEN	0	0	0	0
Independent Director	TSAI, CHENG-YUN	0	0	0	0
Independent Director	HSIEH, GUO-DONG	0	0	0	0
President	TSAY MING HONG	12,000	0	0	0
Vice President	CHEN, YAO-TIEN	0	0	0	0
Vice President	LIEN CHIEN CHIN	0	0	0	0
Vice President	YAO CHUANG HSIEN	(12,000)	0	(86,000)	0
Vice President	HSIEH PING HUI	1,050	0	0	0
Vice President	ZHANG, SHU-FEN	0	0	0	0
Vice President	LIN, HUI-ZHEN	3,000	0	0	0
CTO	CHANG HSIAO CHUAN	(2,000)	0	(2,000)	0
Director (Note 2)	GUO, BING-HONG	(10,000)	0	0	0
Director	RAO, RUI-JUN	3,300	0	0	0

Note 1: Shareholders holding more than 10% of the total shares of the Company shall be annotated as substantial shareholders, and shall be presented separately.

Note 2: If the counterparty of the transfer or pledge of shares is a related person, fill out the following table.

Note 1: Resigned on Oct. 31, 2018.

Note 2: Resigned on Feb. 28, 2018.

(II) If the counterparty of the transfer of shares conducted by Directors, Supervisors, managerial officers, and shareholders with shareholding ratios of 10% is a related person: None.

(III) If the counterparty of the pledge of shares conducted by Directors, Supervisors, managerial officers, and shareholders with shareholding ratios of 10% is a related person: None.

IX. Relationship among the Top Ten Shareholders

Apr. 12, 2019

Unit: Share

Name (Note 1)	Shares Held in Person		Shares held by spouse and minor		Total shares held in the name of another person		Name and relationship, if, among the top ten substantial shareholders, any one of them is a related party, or is the spouse or a relative within the second degree of kinship of another. (Note 3)		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Angel Fund (Asia) Investments Limited	4,978,562	10.10%	0	0	0	0	Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments limited	Representative of the companies is the same person	
Angel Fund (Asia) Investments Limited Representative: TU, CHUN-KUANG	0	0	0	0	0	0	Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments limited	Representative of Angel Fund (Asia) Investments Limited	
Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments limited	4,040,000	8.20%	0	0	0	0	Angel Fund (Asia) Investments Limited	Representative of the companies is the same person	
Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments limited Representative: TU, CHUN-KUANG	0	0	0	0	0	0	Angel Fund (Asia) Investments Limited	Representative of Angel Fund (Asia) Investments Limited	
Special account for Yuanta Commercial Bank as Custodian of Investments of Avalon Group Limited	3,000,000	6.09%	0	0	0	0	None	None	
Special account for Yuanta Commercial Bank as Custodian of Investments of Avalon Group Limited Representative: OU, LIN-LAN	0	0	0	0	0	0	None	None	
Special account for Yuanta Commercial Bank as Custodian of Investments of Harvest Strategic Union, Ltd.	2,700,000	5.48%	0	0	0	0	None	None	
Special account for Yuanta Commercial Bank as Custodian of Investments of Harvest Strategic Union, Ltd. Representative: SU, TSUNG-JU	0	0	0	0	0	0	None	None	
CAO, ZHI-LIANG	2,061,000	4.18%	0	0	0	0			
Soft-World International Corporation	2,000,000	4.06%	0	0	0	0	None	None	
Soft-World International Corporation Representative: WANG, JUN-BO	0	0	0	0	0	0	None	None	
Special account for Taishin	1,816,500	3.68%	0	0	0	0	None	None	

Name (Note 1)	Shares Held in Person		Shares held by spouse and minor		Total shares held in the name of another person		Name and relationship, if, among the top ten substantial shareholders, any one of them is a related party, or is the spouse or a relative within the second degree of kinship of another. (Note 3)		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Commercial Bank as Custodian of Investments of China Development Mobile Technology Ltd.									
Special account for Taishin Commercial Bank as Custodian of Investments of China Development Mobile Technology Ltd. Representative: LIN, CHIA-LI	0	0	0	0	0	0	None	None	
JIANG, YU-LIAN	1,758,000	3.57%	0	0	0	0			
Special account for Yuanta Commercial Bank as Custodian of Investments of SOFTSTAR EMPLOYEE RESTRICTED STOCK	1,500,000	3.04%	0	0	0	0	None	None	
JIAN, WEI-HUA	1,280,000	2.60%	0	0	0	0			

Note 1: All the top ten shareholders shall be listed. For corporate shareholders, their names and the name of their representatives shall be listed separately.

Note 2: The calculation of shareholding ratios refers to the shareholding ratio calculated based on the name of oneself, spouse, minors, or in the name of another person.

Note 3: Relationships between the aforementioned shareholders, including corporate shareholders and natural person shareholders shall be disclosed based on the financial reporting standards used by the issuer.

X. Shares held by the Company, its Directors, Supervisors, managerial officers, and investee companies either directly or indirectly controlled by the Company, and the ratio of consolidated shares held

Dec. 31, 2018; Unit: Share

Investee company (Note)	Investments of the Company		Directors, Supervisors, managerial officers, and investments either directly or indirectly controlled by the Company		Total Ownership	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
A.R.T. Games Co., Ltd	1,225,000	49.00%	745,000	29.80%	1,970,000	78.80%
Chia-e International Inc.	813,698	28.21%	2,068,836	71.72%	2,882,534	99.93%

Note: Long-term investment by the Company using the equity method

Chapter 4 Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Formation of Capital

Unit: NT$1,000
May 10, 2019

Year/Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Contribution by Property Other than Cash	Others
2018.03	0	100,000,000	1,000,000,000	47,822,880	478,228,800	Cancellation of 8,400 restricted employee shares repurchased from employee departure	None	Approved in Order Fu-Chan-Yeh-Shang-Zi No. 10748224810 on April 26, 2018
2018.08	0	100,000,000	1,000,000,000	47,794,530	477,945,300	Cancellation of 28,350 restricted employee shares repurchased from employee departure	None	Approved in Order Fu-Chan-Yeh-Shang-Zi No. 10752912600 on August 23, 2018
2019.01	0	100,000,000	1,000,000,000	49,294,530	492,945,300	Issuance of 1,500,000 restricted employee shares	None	Approved in Order Fu-Chan-Yeh-Shang-Zi No. 10845360200 on January 14, 2019

2. Type of Shares

April 12, 2019; Unit: Share

Type of Shares	Authorized Capital			Remark
	Outstanding Shares (Notes 1~4)	Unissued Shares	Total	
Common shares	49,294,530	50,705,470	100,000,000	
Total	49,294,530	50,705,470	100,000,000	

Note 1: A total of 5,562,500 privately placed common shares were issued on April 14, 2010 but yet to be listed on TPEx as appropriated.

Note 2: A total of 4,978,562 privately placed Type A preferred shares were issued on June 11, 2007 and converted into common shares on August 2, 2010 but yet to be listed on TPEx as appropriated.

Note 3: A total of 8,500,000 privately placed common shares were issued on March 21, 2014 and to expire three years from the date of issue; upon expiration, they are to be listed on TPEx as appropriated.

Note 4: A total of 2,000,000 privately placed common shares were issued on March 25, 2016 and to expire three years from the date of issue; upon expiration, they are to be listed on TPEx as appropriated.

3. Offering and Issuance of Securities by Shelf Registration: None.

(II) Shareholder Structure

April 12, 2019; Unit: Person, share

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Individuals	Total
Number of people	-	-	17	5,933	28	5,978
Number of shares held	-	-	5,144,436	24,515,671	19,634,423	49,294,530
Shareholding percentage	-	-	10.44%	49.73%	39.83%	100.00%

Note: Primary TWSE/TPEx listed companies shall disclose the shareholding percentage of Chinese investments; Chinese investments refers to people, corporations, organizations, or other institutions of the Mainland area or their investments in third areas set forth in Article 3 of the Regulations Governing Investment Permit to the People of the Mainland Area.

(III) Diffusion of Ownership

1. Common Shares

Par value: NT$10/share April 12, 2019; Unit: Person, share

Scale of Shareholding	Number of Shareholders	Number of shares held	Shareholding percentage
1 ~ 999	1,795	267,101	0.54%
1,000 ~ 5,000	3,702	6,576,408	13.34%
5,001 ~ 10,000	263	2,078,416	4.22%
10,001 ~ 15,000	66	850,906	1.73%
15,001 ~ 20,000	47	876,806	1.78%
20,001 ~ 30,000	28	693,131	1.41%
30,001 ~ 50,000	26	1,027,860	2.08%
50,001 ~ 100,000	15	1,106,357	2.24%
100,001 ~ 200,000	12	1,583,638	3.21%
200,001 ~ 400,000	5	1,091,513	2.21%
400,001 ~ 600,000	0	0	-
600,001 ~ 800,000	3	2,119,687	4.30%
800,001 ~ 1,000,000	3	2,645,645	5.37%
1,000,001 or more	13	28,377,062	57.57%
Total	5,978	49,294,530	100.00%

2. Preferred shares: None.

(IV) List of Major Shareholders (Name of Shareholders with Shareholding of 5% or More or Top 10 Shareholders, Amount and Percentage)

Unit: Share April 12, 2019

Major Shareholder \ Share	Number of shares held	Shareholding percentage
Angel Fund (Asia) Investments Limited	4,978,562	10.10%
Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments limited	4,040,000	8.20%
Special account for Yuanta Commercial Bank as Custodian of Investments of Avalon Group Limited	3,000,000	6.09%
Special account for Yuanta Commercial Bank as Custodian of Investments of Harvest Strategic Union, Ltd.	2,700,000	5.48%
Tsao, Chih-Liang	2,061,000	4.18%
SOFT-WORLD INTERNATIONAL CORPORATION	2,000,000	4.06%
Special account for Taishin Commercial Bank as Custodian of Investments of China Development Mobile Technology Ltd.	1,816,500	3.68%
Chiang, Yu-Lien	1,758,000	3.57%
Special account for Yuanta Commercial Bank as Custodian of Investments of SOFTSTAR EMPLOYEE RESTRICTED STOCK	1,500,000	3.04%
Chiang, Wei-Hua	1,280,000	2.60%

Note: Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments limited is the special account opened by the Company's director, Angel Fund (Asia) Investments Limited; therefore, the number of shares held by Angel Fund (Asia) Investments Limited totaled 9,018,562.

(V) Market Price, Net Worth, Earnings, and Dividends per Share and Related Information for the Most Recent Two Years

Unit: NT$
(Unless otherwise stated)

Item \ Year			2017	2018	As of May 10, 2019 (Note 8)
Market price per share (Note 1)	Highest		264.50	153.00	177.50
	Lowest		71.20	77.00	90.40
	Average		134.04	110.97	125.79
Net worth per share (Note 2)	Before distribution		10.28	10.18	11.23
	After distribution		N/A	N/A	N/A
Earnings per share	Weighted average number of shares		47,771	47,708	47,795
	Earnings per share (Note 3)		0.38	1.84	0.03
Dividend per share	Cash dividends		0	0	N/A
	Stock dividends	Surplus earnings	0	0	N/A
		Capital reserve	0	0	N/A
	Unpaid dividends (Note 4)		0	0	N/A
Return on investment	Price-to-earnings ratio (Note 5)		352.74	60.31	N/A
	Price-to-dividend ratio (Note 6)		N/A	N/A	N/A
	Dividend yield (Note 7)		N/A	N/A	N/A

* If shares are distributed in connection with a capital increase out of surplus earnings or capital reserve, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution shall be further disclosed.

Note 1: The highest and lowest market prices of common shares for each year are listed. The average market price for each year is calculated based on the transaction value and volume.

Note 2: The number of shares that have been issued by the end of the year and the resolution at the shareholders' meeting in the following year shall apply.

Note 3: If there is any retrospective adjustment required due to stock dividends, earnings per share before and after adjustment shall be listed.

Note 4: If the equity securities issuance conditions specify that the undistributed dividends that are not distributed in a given year can be distributed in another year when the Company makes a profit, the accumulated undistributed dividends as of that given year shall be disclosed.

Note 5: Price-to-earnings ratio = Average closing price per share for the year / Earnings per share.

Note 6: Price-to-dividend ratio = Average closing price per share for the year / Cash dividends per share.

Note 7: Cash dividend yield = Cash dividends per share / Average closing price per share for the year.

Note 8: For the net worth per share and earnings per share, data for the most recent quarter up to the date of publication of the Annual Report that have been audited (reviewed) by CPAs shall apply. For all other fields, data for the most recent year up to the date of publication of the Annual Report shall apply.

(VI) Dividend Policy and Its Implementation

1. Dividend Policy

If the Company makes a profit in a year, it shall set aside tax payable according to the law, and then offset any accumulated losses in previous years (including undistributed earnings adjusted); then, it shall set aside 10% of the profit as legal reserve according to the regulations, unless legal reserve has reached the paid-in capital of the Company; then, it shall set aside or reverse special reserve according to the regulations. The Board of Directors shall propose the earnings distribution based on the balance, if any, plus accumulated undistributed earnings and submit it to the shareholders' meeting for a resolution.

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.

2. Distribution of Dividends Proposed in the Shareholders' Meeting

On March 19, 2019, the Board of Directors resolved not to distribute stock dividends in addition to setting aside legal reserve and special reserve. The 2018 earnings distribution is yet to be adopted in the 2019 shareholders' meeting.

(VII) Effect of Any Stock Dividends Distribution Proposed in the Shareholders’ Meeting on Business Performance and Earnings per Share: N/A.

(VIII) Remuneration Paid to Employees and Directors and Supervisors

1. Percentage or Range of Remuneration Paid to Employees and Directors and Supervisors as Set Forth in the Company's Articles of Incorporation

The Company's Articles of Incorporation specify the following:

If the Company makes a profit in a year, it shall set aside no less than 3% of the profit as employee remuneration and no more than 3% of the profit as director remuneration. If the Company has accumulated losses (including undistributed earnings adjusted), however, it shall reserve an amount for offsetting the losses. Employee remuneration 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 employment remuneration to be distributed may include the employees of the Company's affiliated companies meeting the requirements established by the Board of Directors. Director 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 employee remuneration and director remuneration and report in the annual shareholders' meeting.

2. Basis for Estimating the Amount of Remuneration Paid to Employees and Directors and Supervisors, for Calculating the Number of Shares to Be Distributed as Employee Remuneration, and the Accounting Treatment of Any Discrepancy between the Actual Distributed Amount and the Estimated Figure for the Year

   The annual amount of employee remuneration and director remuneration is calculated and estimated based on the profit (after offsetting accumulated losses) made for the year and the percentage set forth in the Articles of Incorporation. The discrepancy between the amount approved by the Board of Directors and the estimate, if any, shall be accounted for as changes in the accounting estimate and recognized as profit or loss for the year of approval by the Board of Directors.

3. Distribution of Remuneration Approved by the Board of Directors
   (1) Amount of remuneration distributed to employees and directors and supervisors in the form of either cash or stock (where there is any discrepancy between the actual amount and the estimate, the amount, cause, and treatment of such discrepancy shall be stated):
      (A) Distribution of employee remuneration and director remuneration for 2018 (approved by the Board of Directors on March 19, 2019)
         (a) Employee remuneration: NT$6,579,781 (in the form of cash).
         (b) Director remuneration: NT$1,315,956 (in the form of cash).
      (B) Any discrepancy between the actual amount of employee remuneration and director remuneration for 2018 to be distributed and the estimate (including the amount, cause, and treatment of such discrepancy): The discrepancy totaled NT$95,872 and NT$19,174, respectively, mainly due to the changes in the accounting estimate. The discrepancy has been recognized as profit or loss in 2019.
   (2) Employee remuneration to be distributed in the form of stock and its percentage of the sum of income tax after and total employee remuneration: N/A.

4. Actual Distribution of Employee Remuneration and Director Remuneration for the Previous Year (including Number of Shares, Amount, and Share Price), and the Amount, Cause, and Treatment of Discrepancy with the Estimate
   (1) Distribution of employee remuneration and director remuneration for 2017 (approved by the Board of Directors on March 30, 2018)
      (A) Employee remuneration: NT$1,725,998 (in the form of cash).
      (B) Director remuneration: None.
   (2) Any discrepancy between the actual amount of employee remuneration and director remuneration for 2017 to be distributed and the estimate (including the amount, cause, and treatment of such discrepancy)
      The discrepancy totaled NT$174,539 and NT$0, respectively, mainly due to the changes in the accounting estimate. The discrepancy has been recognized as profit or loss in 2018.

(IX) Repurchase of the Company's Shares

None.

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Global Depository Receipts: None.

V. Employee Stock Options: None.

VI. Employee Restricted Stock:

(I) New Restricted Employee Shares

May 10, 2019

Type of new restricted employee shares (Note 1)	2nd (term) New restricted employee shares
Effective date	November 21, 2018
Date of issue (Note 2)	January 5, 2019
Number of new restricted employee shares issued	1,500,000
Issue price	NT$0/share
Ratio of new restricted employee shares issued to total shares issued	3.04%
Vesting conditions of new restricted employee shares	If employees meet the following vesting conditions, such as service-based conditions and performance-based conditions, the percentage of shares where the vesting conditions are met is as follows: 1. If employees remain in office for four months from the date of issuance of new restricted employee shares, they may acquire 20% of the new restricted employee shares in batches. If the Company has income after tax as set forth in the most recent year's consolidated financial statements audited by CPAs, employees may acquire another 20% of the new restricted employee shares. 2. If employees remain in office for sixteen months from the date of issuance of new restricted employee shares, they may acquire 15% of the new restricted employee shares in batches. If the Company has income after tax as set forth in the most recent year's consolidated financial statements audited by CPAs, employees may acquire another 15% of the new restricted employee shares. 3. If employees remain in office for twenty eight months from the date of issuance of new restricted employee shares, they may acquire 15% of the new restricted employee shares in batches. If the Company has income after tax as set forth in the most recent year's consolidated financial statements audited by CPAs, employees may acquire another 15% of the new restricted employee shares.
Restricted rights of new restricted employee shares	1. During the vesting period, an employee shall not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, new restricted employee shares except for inheritance. After employees meet the vesting conditions, new restricted employee shares will be deposited in their centralized depository account from the trust account according to the trust or custody contract. 2. Employees shall attend, propose, speak, vote and elect in the shareholders' meeting according to the trust or custody contract. 3. Employees with new restricted employee shares are entitled for the

	distribution of dividends, and cash or stock dividends acquired are not subject to the vesting period. Cash or stock dividends shall be deposited in employees' personal accounts from the trust account within one month from the date of distribution. 4. In addition to the trust agreement referred to in the preceding paragraph, employees may enjoy other rights of new restricted employee shares acquired by employees according to the regulations, including but not limited to dividends, bonuses, distribution of capital reserve, and stock warrants of capital increase for cash, before meeting the vesting conditions. Such other rights are same with those of common shares issued by the Company.
Custody of new restricted employee shares	1,500,000 shares under the custodial trust institution
Measures to be taken when employees fail to meet the vesting conditions	1. If employees resign, retire, or apply for transfer to affiliated companies or are dismissed or discharged within twenty eight months from the acquisition of new restricted employee shares, the Company shall redeem the new restricted employee shares where vesting conditions have not been met from the employees free of charge. 2. When employees with new restricted employee shares violate the labor contracts and work rules of the Company, the Company may redeem the new restricted employee shares where vesting conditions have not been met from the employees free of charge, depending on the severity of the violation. 3. When employees become disabled or dead due to occupational diseases or die in general, the new restricted employee shares where vesting conditions have not been met shall be handled in the following manners: (1) When employees become disabled due to occupational diseases and unable to work, the new restricted employee shares where vesting conditions have not been met shall be deemed fully met upon the effective date of employee departure. (2) When employees become dead due to occupational diseases, the new restricted employee shares where vesting conditions have not been met shall be deemed fully met from upon the day of death. The successors should complete all statutory procedures and provide related supporting documents to apply for the acquisition of shares they should inherit or equity that has been disposed of. (3) General death: The new restricted employee shares where vesting conditions have not been met shall be deemed fully met from upon the day of death. The Company shall redeem and cancel such shares according to the regulations. 4. Leave without pay: If employees are on leave without pay due to serious illness, serious family changes, or continuing study abroad upon special approval of the Company according to the laws and regulations, they may resume the new restricted employee shares where vesting conditions have not been met after reinstatement, provided that the vesting conditions shall be deferred from the period of leave without pay. 5. When employees are designated by the Company to transfer to its affiliated companies due to the need of business, the new restricted

	employee shares where vesting conditions have not been met may continue to exist, but they shall remain subject to the vesting period. The vesting conditions shall be determined by the Chairman based on the performance evaluation provided by the affiliated companies where employees transfer. 6. If employees terminate or rescind the delegation to the Company in violation of Paragraph 2, Article 7 (trust and custody) before meeting the vesting conditions, the Company shall redeem the new restricted employee shares from the employees free of charge.
Number of new restricted employee shares redeemed or bought back	0
Number of new restricted employee shares where restrictions on rights have been released	600,000
Number of new restricted employee shares where restrictions on rights have not been released	900,000
Ratio of new restricted employee shares not released to total shares issued (%)	1.83%
Effect on shareholders' equity	1. Expensable amount The Company measures the fair value of shares on the grant date and recognizes related expenses in the vesting period. The expensable amount is estimated to be NT$157,500 thousand. According to the vesting conditions, the annual expensable amount from 2019 to 2021 (January to April) is projected as NT$118,688 thousand, NT$32,062 thousand, and NT$6,750 thousand, respectively. 2. Dilution of the company's earnings per share and other effects on shareholders' equity Based on the number of current outstanding shares (49,294,530 shares, as of May 10, 2019), the EPS dilution from 2019 to 2021 (January to April) is projected as NT$2.41, NT$0.65, and NT$0.14, respectively.

Note 1: The number of fields may be adjusted based on the frequency of issuance.
Note 2: Different dates of issue, if any, shall be specified separately.

(II) Names and Acquisition Status of Managerial Officers Having Acquired New Restricted Employee Shares and of Employees Ranking among Top 10 in the Number of New Restricted Employee Shares Acquired

May 10, 2019
Unit: NT$, share

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title (Note 1)</th><th rowspan="2">Name</th><th rowspan="2">Number of New Restricted Employee Shares Acquired</th><th rowspan="2">Ratio of New Restricted Employee Shares Acquired to Total Shares Issued (Note 4)</th><th colspan="4">Restrictions on Rights Released (Note 2)</th><th colspan="4">Restrictions on Rights Not Released (Note 2)</th></tr>
<tr><th>Number of Shares where Restrictions on Rights Have Been Released</th><th>Issue Price</th><th>Issue Amount</th><th>Ratio of Shares where Restrictions on Rights Have Been Released to Total Shares Issued (Note 4)</th><th>Number of Shares where Restrictions on Rights Have Not Been Released</th><th>Issue Price</th><th>Issue Amount</th><th>Ratio of Shares where Restrictions on Rights Have Not Been Released to Total Shares Issued (Note 4)</th></tr>
<tr><td rowspan="9">Managerial officers</td><td>President</td><td>Tsay, Ming-Hong</td><td rowspan="9">576,000</td><td rowspan="9">1.17%</td><td rowspan="9">230,400</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0.47%</td><td rowspan="9">345,600</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0.70%</td></tr>
<tr><td>Vice President</td><td>Yao, Chuang-Hsien</td></tr>
<tr><td>Vice President</td><td>Hsieh, Ping-Hui</td></tr>
<tr><td>Vice President</td><td>Lien, Chien-Chin</td></tr>
<tr><td>Vice President</td><td>Chen, Yao-Tien</td></tr>
<tr><td>Vice President</td><td>Lin, Hui-Chen</td></tr>
<tr><td>Vice President</td><td>Chang, Shu-Fen</td></tr>
<tr><td>CTO</td><td>Chang, Hsiao-Chuan</td></tr>
<tr><td>Director</td><td>Jao, Jui-Chun</td></tr>
<tr><td rowspan="2">Employees</td><td>Manager</td><td>Chen, Chien-Min</td><td rowspan="2">815,000</td><td rowspan="2">1.65%</td><td rowspan="2">326,000</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0.66%</td><td rowspan="2">489,000</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0.99%</td></tr>
<tr><td>Manager</td><td>Lu, Chih-Hsiang</td></tr>
</table>

	Associate Manager	Tseng, Chih-Hao										
	Employee	Pao, Hung-Hsiu										
	Employee	Wu, Hsin-Jui										
	Employee	Jao, Kai-Yuan										
	Employee	Chen, Po-An										
	Employee	Hou, Li-Ling										
	Employee	Chang, Chia-Chiang										
	Employee	Hu, You-Chang										

Note 1: The name and title of managerial officers and employees (specify departure or death if any) shall be disclosed separately, but the number of new restricted employee shares distributed or acquired may be disclosed collectively.

Note 2: The number of fields may be adjusted based on the frequency of issuance. (Number of shares where restrictions on rights have been released shall include the number of shares where vesting conditions are met and the number of shares where vesting conditions are not met and therefore redeemed by the Company.)

Note 3: Employees ranking among Top 10 in the number of new restricted employee shares acquired shall refer to employees other than managerial officers.

Note 4: Total shares issued shall refer to shares registered with the Ministry of Economic Affairs.

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions:

None.

VIII. Financing Plans and Implementation: None.

Chapter 5 Operating Highlights

I. Business Activities

(I) Scope of business

1. Primary operating scope of the Company

   The Company is a game software manufacturer and its primary operations are the development, operation, and licensing of single player games, online games, webpage games, and mobile games.

2. Proportion of primary operations

Unit: thousand NT$

Product	2018	
	Net operating revenue	%
Sale of goods revenue	20,770	2
Rendering of service revenue	834,968	98
Total	$855,738	100

3. Current products and services offered by the Company
   (1) Software development, production, and sales for single player games.
   (2) Software development, agency, licensing, and sales for online games.
   (3) Software development, agency, licensing, and sales for mobile games.
   (4) Production and sales for peripherals and guides of computer software.
4. Planning and development of new products (services):
   (1) Single player game
   (2) Online game
   (3) Webpage game
   (4) SNS game
   (5) Mobile game (including mobile phone and tablet platform)

(II) Industry overview

1. Current state and development of the industry

   Game software worldwide can mainly categorize as Arcade game, TV/console game, PC game, and mobile game. Their current state and development are as follow:

   (1) Arcade game

   Arcade games are generally placed at large-scale entertainment venues or amusement parks. Based on its pay-per-game model, it is essential to attract consumers to insert coins for the game continually. Arcade games are primarily divided into two categories of puzzles and gaming; the US and Japan still dominate the market. Large-scale arcade game market in Taiwan tends to be more recreational, such as dancing machine, basketball shooting machine, and claw machine. With the development of multi-media, the popularity of arcade machines has declined rapidly, gradually fall outside of the public sight. However, arcade machines in different regions show different conditions; for instance, the recession of arcade machines in Japan is relatively slow.

(2) TV/Console game

TV/Console game primarily makes use of the TV screen for the game, which is highly popular due to the popularity of TVs. As TV game development shall be based on the platform specification of the hardware companies, the Company is required to pay royalties to hardware platform companies. Therefore, current TV games across the globe are mainly led by large companies in the US and Japan, such as Wii by Nintendo, PS4 by Sony, and Xbox 360 and Xbox One by Microsoft, etc.

(3) PC game

PC game can be roughly divided into single player games and online games.

The growth of market scale for single player game software worldwide is limited, primarily due to the rampant software piracy, plus the diversification of game platform due to advanced technologies; the emergence of online games gave rise to the most direct substitution effect. Except for adopting the strategy of low quantity with premium quality, using online innovative sales model is also a positive direction for companies. For example, extend the lifecycle of products through methods of launching the purchase and download version on the internet, online battle, and new game download, and prevent piracy through online verification mechanism.

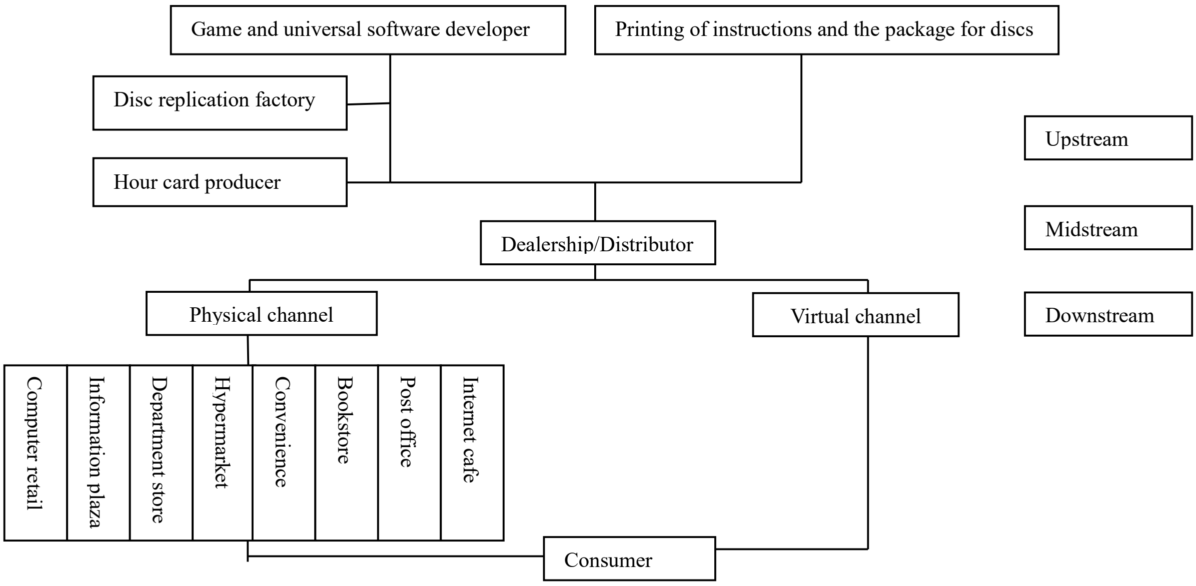
Online games consist of MMORPG, Web/SNS game, and casual game. Currently, MMORPG is the major group. As players are required to invest more time and spirit, the player stickiness and loyalty maintain higher. However, with changes in structural factors such as the net user structure and players' demand, web game has played a significant role in the industrial growth in recent years. Currently, the trend for web game is to integrate with SNS, providing more mutual topics for users through the course of the games.

(4) Mobile game

Given that smartphones and tablets have gradually become indispensable entertainment tools for the modern generation, related companies have competed to participate in the mobile APP market where games accounted for the most significant APP percentage. There are numerous games in the market with fierce competition. The profiting model for the games has also turned to diversification, including one-off payment and download, virtual market, payment and download for additional content, and income from the in-game advertisement. Mobile games have significant growth in recent years. According to the App Annie Report from the globally renowned mobile data company, the number of downloads in Taiwan on the top two global platform of iOS App Store and Google Play may not be within the top ten of the globe; however, the turnover from games in Taiwan ranked 10th in the world, and the turnover on the iOS App Store further climbed to the 5th of the world. As compared to games on other platforms, the mobile game market has achieved remarkable growth.

2. Correlation among upstream, midstream, and downstream of the industry

For the game software industry, the upstream game software developers would cooperate with the midstream agent distributors, such as game operators/publishers/and distributors, for the launch and operation, online management and customer services, marketing communication, and the issuance of game cards or packages of games; or cooperate with manufacturing operations of disc replication factory or printers to provide raw materials for the commercialization of products, and then deliver to consumers through physical or virtual channels.



Source: A compilation from the Taiwan Industry Economics Services

3. Development trend and competition of products

① Development trend of products

A. Product development is directed to diverse platforms

With the popularization of the internet and the expeditious development of technologies, the game market is able to achieve rapid growth on all platforms through the application of remote server and the function of multiplayer. Except for desktop PC and laptop being used in the past, devices in use have gradually involved to mobile devices, e.g., tablets and smartphones, hoping to integrate games into consumers' daily lives by way of the broad and convenient multi-platform application, which effectively improves the added value of games and opens the door to another potential market for digital content market.

B. Product development is directed to many-to-many interactivity

Traditional game software focuses on the interaction between the player and the video game. Once the player had passed all the well-designed challenges of the game software (i.e., "cleared the game"), the game would lose its attractiveness to players. However, the new game model may make amend for such shortcoming. The new model allows players to interact with concurrent online players, and jointly participate in the designed plots in the game.

C. Product development is directed to multi-languages and multi-nationalization

Revise the game to local languages according to nations and regions, or make proper adjustments based on different languages and culture of markets before the revision or production of games to involve local cultures and allow products to blend in the global market and become easily acceptable by markets.

D. Free games have become the market mainstream

"Free game" means no entry barrier for players, but the game companies may earn revenue from the sales of virtual items/virtual treasures. Under the game model of zero-payment or low-payment, players may choose the game and consumption method based on their preference, allowing the game to involve players from broader age groups with an increasing number of players.

E. Popularization of mobile devices and the extended development of games

With the popularization of mobile devices, improvement of multi-media function, 4G network establishment, and the connection of social media, the emergence of casual players has become a market force not to be neglected by game companies. Therefore, game companies have commenced their diversified game development to improve the profoundness of game content for mobile devices. The Company also tried to use different vehicles or technologies, in the hope to make a breakthrough from the boundaries of video games or PC in the past, allowing players to enjoy brand-new joy from games with any kind of mobile devices. In addition, the Company sells derivatives related to games through in-app purchases to increase the contribution of all players, and in turns improves the profit of games.

② Competition Situation

The Company primarily engages in the development, dealership, production, publish, and sales of computer game software. In recent years, leverage from the popularization of the internet and the increase of internet users, apart from keeping its development for single player games, the Company also proactively invested in the development of online games, web games, and mobile games to enrich the product profiles of the Company and expand to overseas markets. So far, the Company has managed to license to Europe and the US, Mainland China, and Southeast Asia. Domestic companies that engage in the related industry include Soft-World International, Gamania Digital Entertainment, InterServ, Chinese Gamer International, Userjoy Technology, etc. Due to the high development potentials of the software industry market, grasping the product and market trend, as well as establishing the brand and the awareness and stickiness of the players' community to products will be the competitive advantage of software companies.

(III) Technology and R&D overview

The Company invested R&D expenses of NT$305,401 thousand in total in 2018.

Portable platforms, the game market of smartphones and tablets, continue its expansion. Meanwhile, an increasing number of consumers have growing requirements for game quality, community interaction quality, and experiences. In the future, the standard for image or operation and the real-time connection for mobile games will grow closer to games on the PC platforms for mobile games. Under such changes of market trend, the related technology forces and the unique styles of its renowned series of games of the Company in the past will be able to fulfill the demand of the market in the future. Through the game content with premium quality and the brand new game experiences, the Company will successfully expand the group number of the brand.

We have been making breakthroughs and continual advances in our technologies. We have also begun the development of games using the 3D engine–Unreal Engine 4 from the large-scale overseas company, escalating the existing 3D graphics standard to a new level, so as to align the R&D products to the market trend.

(IV) Short/long-term business development plans

(1) Short-term plans

① Fully exert the function of human resources allocation under the R&D department to increase the product lines for all platforms and accelerate the product development schedules.

② The Company actively expands the licensing for peripherals, such as movies, stage drama, TV series, novels, and album with the optimized timing for the product launch to continue the IP fever.

③ Improve flexibility and efficiency for operations of Taiwan and overseas market by strengthening the collaboration with all channels and different industries.

(2) Long-term plans

① Allow the game products to get closer to Mainland China and overseas markets through joint development or licensing development to reinforce the product exposure and market share.

② Emphasize the importance of cultural creativity-related industries, and improve IP's influences and value.

③ Understand the operating environment and game trends in the Mainland China market, and strengthen the upstream and downstream strategic cooperation, to achieve the win-win situation.

II. Market and Sales Overview

(I) Market analysis

1. Sales region for main products in 2018

Unit: thousand NT$

Regional / products	Domestic		Overseas		Total	
	Amount	%	Amount	%	Amount	%
Sale of goods revenue	$(2,573)	(2)	$23,343	3	$20,770	2
Rendering of service revenue	$145,231	102	$689,737	97	$834,968	98
Total	$142,658	100	$713,080	100	$855,738	100

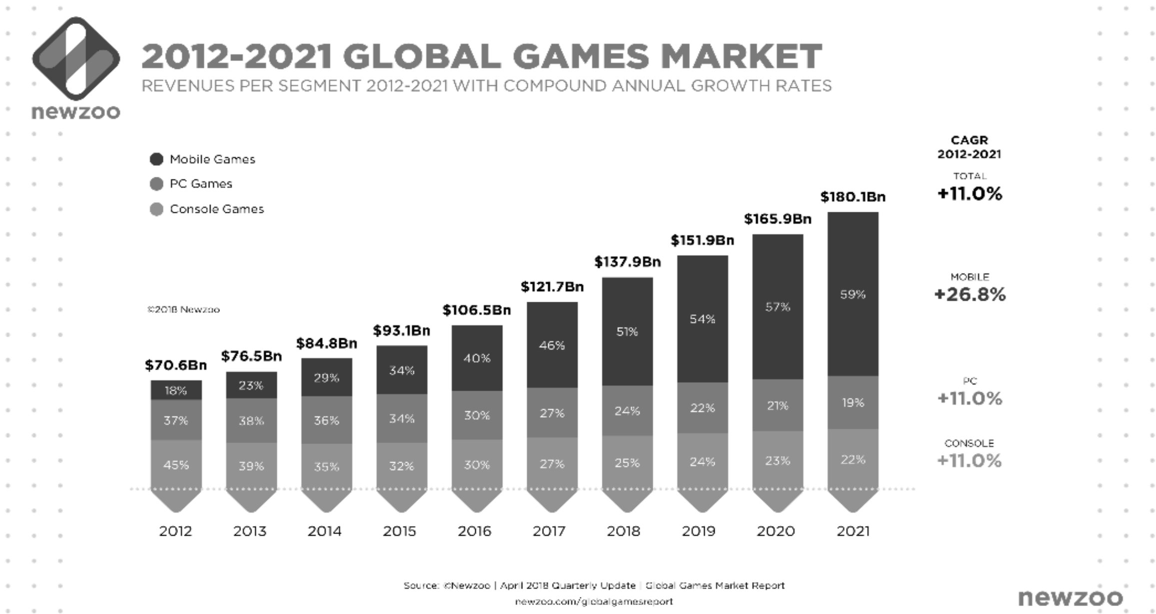
2. Market share

The Company primarily engages in the development of single player game products, online game products, and mobile game products. The revenue for 2017 and 2018 were respectively NT$789,128 thousand and NT$855,738 thousand. As the market is highly matured with diversification, the game development of the Company has turned to diversification. Except for launching online games and single player games, the Company proactively invested in the development of casual games. web games, and mobile games, gaining a significant status in the market of game development.

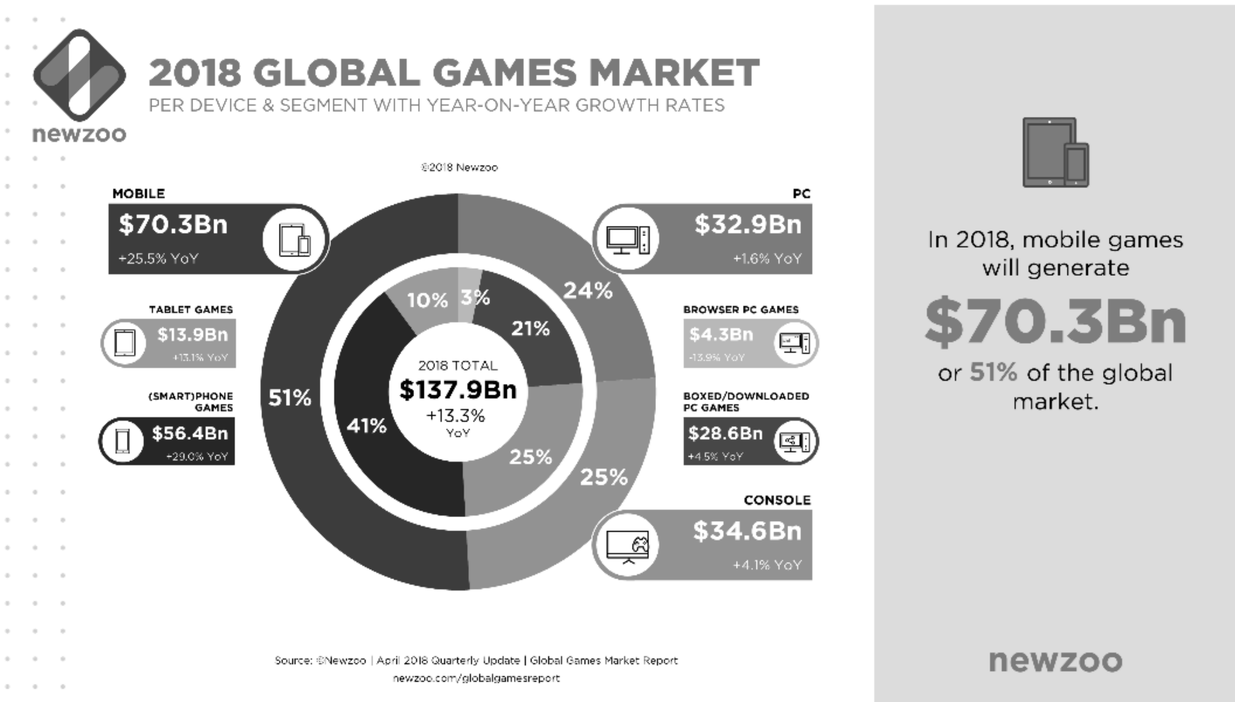
3. Future supply and demand of the market and its growth
   (1) Global game industry overview:
   Scale of global games:

Year	2016	2017(F)	2018(F)	2019(F)	2020(F)	2021(F)
Total production value	US$106.5 billion	US$121.7 billion	US$137.9 billion	US$151.9 billion	US$165.9 billion	US$180.1 billion

Sources: Charts from the official website of NEWZOO



Sources: Screenshot from the official website of NEWZOO



Sources: Screenshot from the official website of NEWZOO

According to the report of NEWZOO, a research company for the game market, the market scale for global games in 2018 was US$137.9 billion, representing a growth of US$16.2 billion as compared to that of the previous year. By 2021, gross revenue for the global game industry will exceed US$180.1 billion. The CAGR from 2017 to 2021 shall be 10.3%. Mobile game (smartphones and tablets) is the largest market segment in the game industry; the market segment has the largest player base across the world - over 2.2 billion mobile game players. In 2018, the revenue from mobile games will reach US$70.3 billion, accounting for over 51% of the global gross revenue of games. By 2021, mobile games will be accounting for 59% of the global game market with its value amounting to US$106.4 billion, rendering a market with a worth of billions of US dollars. In 2018, approximately 80% (US$56.4 billion) of revenue from mobile games was from smartphone games. Benefiting from the development of SPG and immersion mobile games, an increasing number of smartphone users, as well as the improving infrastructure and hardware, the market scale of smartphone games will reach US$88.5 billion by 2021 with a CAGR of 19.3% (2017-2021).

Regarding national regions, Asia Pacific regions will record a game revenue amounting to US$71.4 billion during the year, accounting for 52% gross revenue of the global market, representing a year-on-year increase of 16.8%. The US$37.9 billion revenue of the game market in China is accounted for 28% of global gross revenue, ranking the first worldwide. Asia has become the most significant game market.

North America still remains the second largest game market, accounting for 23% of global gross revenue. The gross revenue of the North America region will record a year-on-year increase of 10.0% to US$31.7 billion in 2018. It is expected that the markets which will have the fastest growth in the following three year shall be in India and emerging countries in Southeast Asia. China will remain its status of the number one country for games; by 2021, the market scale of games in China will achieve US$50.7 billion.

(2) Taiwan's game industry overview:

According to the report of NEWZOO, a research company for the game market, the market scale for global games in 2018 was US$137.9 billion, in which mobile games remain the mainstream that accounted for 51% of such market. As for the global market performance, Asia Pacific region has the largest game market worldwide. In 2018, the market scale in Asia Pacific region was US$71.4 billion, representing 51% of the global market share. The market scale in Taiwan for the entire year is US$1.268 billion, ranking the 15th worldwide and 5th in the Asia Pacific region.

In recent years, the primary growth of the game industry is from mobile games. Taiwan market has the characteristic of "open and diverse" and has been ranking as the top 5 markets of Google Play for a consecutive years, along with Japan and Korea. However, when Korea and Japan with respectively 2 times and 5.5 times of population as compared to Taiwan, the performance of Taiwan is fairly impressive; Taiwan is also a crucial part for the global layout.

Even though there is only 23 million population in Taiwan, its economic scale with respect to mobile applications has ranked the 7th worldwide, and the consumption strength and scale for players on mobile games further ranked the 5th worldwide. However, the ferocity of games from China and Korea in the Taiwan market has caused the condition to become relatively tough for Taiwanese companies. According to the App Annie Report from the data research company, over 50% of products and 60% of revenue in Taiwan's mobile game market have been occupied by products from Mainland China and Korea. Products developed by Taiwan merely accounting for 10% to 12% of the market. From 2015, Taiwan's mobile game market has been increasing by approximately US$300 million per year. However, the growth rate has started to drop materially by approximately 5% to 10% per year. Mobile game market in Taiwan is a mature market and has hit the plateau.

eSport is an emerging competitive sport in Taiwan for the past few years. Players would watch online live games and hope to participate in the eSport events. For live streaming eSport, the live streaming traffic for eSports in Taiwan is ranking the 5th worldwide, indicating its high group involvement. Regarding the ranking of cities worldwide, Taipei is the city with the highest live streaming traffic for eSports across the globe. In 2022, eSports will become an official competition at the Asian Games

(3) Mainland China's game industry overview:
According to "Report on Development of China's Game Industry (2018)," the actual sales revenue of the game market in China has reached CNY214.44 billion, representing a year-on-year increase of 5.3%, and accounting for 23.6% of the global game market. Among such market, mobile games are still the most prominent component for the revenue of the game market in China, the actual sales revenue of the market was CNY133.96, accounting for 62.5% of the game market in China. In 2018, the scale of game users in China had amounted to 626 million, representing a year-on-year increase of 7.3%.

Category of the game market in China in 2018

Unit: CNY

Mobile games	Game Client	Web game	SNS game	Console game	Single player game
133.96 billion	61.96 billion	12.65 billion	4.5 billion	1.05 billion	0.32 billion
62.5%	28.9%	5.9%	2.1%	0.5%	0.1%

During 2018, even though the mobile game market in China still remains its growth, but the growth of sales revenue has recorded a slowdown, primarily due to factors such as the changes in user demand and the increasing access difficulties for users. Since the end of March 2018, China government suspended the approval procedures for game versioning, causing multiple new games remained unlisted. Regarding the impact of such policies, although the market scale of mobile games in China has recorded a growth of 15.4% during 2018, the growth rate represents a slide down as compared to the previous year (2017: growth of 23%). Nevertheless, China had rebooted its game versioning review mechanism at the end of 2018 and currently, the review process is accelerating.

For 2018, the actual sales revenue of eSports games in China is accounting for 38.9% of the game market in China, becoming a vital portion of the game industry. eSports competition has a huge fan base and with high user activeness. The influences of certain competition among eSports games may catch up with and surpass traditional sports competition. Regarding 2018 League of Legends World Championship, the championship has brought massive business opportunities in social media performance, video playback, and audience scale.

In 2018, overseas game markets became a significant source of revenue for game enterprises in China. For channels, game enterprises in China have established long-term cooperating relationships with multiple overseas channels such as Facebook and Google Play, mobile phone enterprises of Huawei and Xiaomi have also provided supports through pre-installed software and in application stores for product promotion. Meanwhile, game enterprises in China further gather users by platform acquisition or establishment. For example, game enterprises such as Tencent and Sanqi Interactive Entertainment have fully commenced their overseas platform arrangement to strengthen the in-depth operation for users. In the future, the "going-out" channels for the game industry will be further broadened.

For products, game enterprises in China have established localized R&D and operating teams abroad one after another. They implement the localization strategy for their game products, carry out in-depth research concerning local culture and user habits, so as to produce products that better conform with the local users' need in foreign countries. Leverage on the support of channel resources and premium products, game enterprises in China have achieved considerable performances in the overseas markets.

4. The competition niches of the Company in response to the supply and demand in the future market are as follow:

(1) Strong and stable development team

For game software development of the Company, from the idea generation, planning, programming, art design, animation, music, sound effect, and testing, our R&D staff possess rich and matured experiences and technologies. Extensive experiences and abundant technologies of our R&D team, as well as their understanding of the market, provide endless vitality to our products.

(2) Cumulative abundant self-owned game IP

Through 25 years of development, the Company currently has multiple best-selling product series, including famous game brands such as Sword and Fairy Series, Xuan Yuan Sword Series, Richman Series, Empire of Angels Series, and Stardom Series, which are well-recognized by the sinophone game market.

(3) Successfully utilize cross-field IP value

Products of the Company have been making constant breakthroughs, our products series have expanded from the field of PC games to fields of web/SNS games, and mobiles games. The large-scale IP of Sword and Fairy have also created a precedent by way of licensing famous film companies to create large-scale drama series and gradually developed into fields of audiovisual, animation, publishing, and peripherals. The Company's adherence to self-innovation, ownership of copyright, and reusable values will be the next key to success for the digital content industry.

(4) Develop overseas licensing and strategic cooperating plan
Games produced by the Company have successfully being licensed in Mainland China, Taiwan, and overseas regions and will be launched into the markets one after another. In the future, the Company will keep expanding the business of licensing. Apart from product licensing, the Company will also invest IP licensing into the development of new online games and mobile games to enrich the licensing portfolio of the Company.

5. Favorable and unfavorable factors of development prospect and strategies:

(1) Favorable factors

- Stable and robust R&D team that owns the core competitiveness of self-development of games.
- Own the renowned series of IP that may be used in a cross-field manner to extend IP application and value in full.
- The flourishing development of 3C technology and internet lead to an increase of leisure concept. With an increasing scale of the player group, it allows the overall market scale of the industry to record continual growth.

(2) Unfavorable factors

- Rampant software piracy makes intellectual property right vulnerable for infringement
  Strategies:
  So far, for the prevention of matters related to the violation of intellectual property rights, except for adding cryptographic function for single player games, the Company also publish data versions (online download) to prevent privacy. Furthermore, the Company also reinforce the collection of market data to closely work with lawyers, dedicating to protect the intellectual property rights of the Company.

- Domestic market scale is limited while the competition within the game industry remains fierce
  Strategies:
  Exert the advantage of the Company's IP in the sinophone market, carry out strategic cooperation with large companies in Mainland China with respect to product development, platform channels, and horizontal alliances, which will catch up with the market trend and timeliness and improve the competitiveness of the Company in the market.

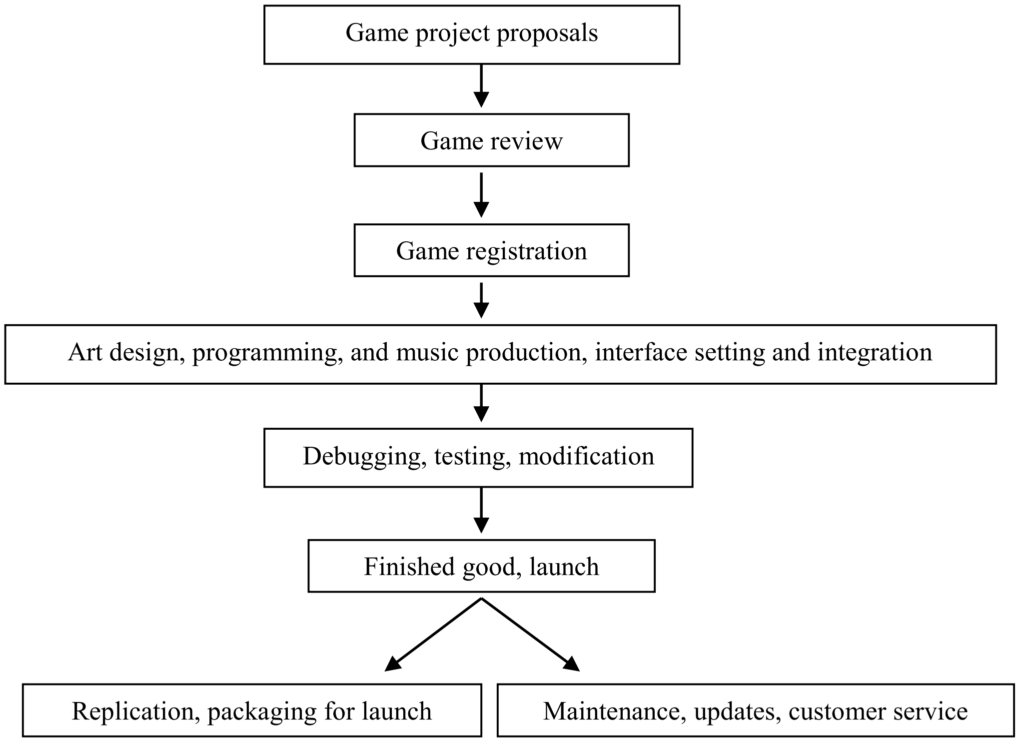
(II) Major applications and production process of the primary products

1. Major uses of the primary products
The primary products developed or published by the Company are the software of mobile games, online games, and single player games.

(1) Mobile games and online games provide online real-time games that form strong interactive social relationships.

(2) Single player games combine education and entertainment to provide a space with intelligence, inspiration, training, and leisure for users.

2. Production procedures



(III) Supply status of main materials

Does not apply to the Company

(IV) Customers who have accounted for over 10% of total purchases (sales) in any of the past two years

1. Information of main suppliers for the past two years

Unit: thousand NT$

	2017				2018				As of 1st quarter of 2019			
Item	Name	Amount	Percentage of the Company's total annual procurement (%)	Relationship with the issuer	Name	Amount	Percentage of the Company's total annual procurement (%)	Relationship with the issuer	Name	Amount	Percentage of the Company's total annual procurement (%)	Relationship with the issuer
1	Shenzhen Gaea Technology Corporation	71,012	57.39	None	Shenzhen Tencent Computer System Co., Ltd.	15,603	19.14	None	MiTAC Information Technology Corp.	3,231	19.93	None
2	MiTAC Information Technology Corp.	10,082	8.15	None	MiTAC Information Technology Corp.	11,870	14.56	None	Hong Kong NetEase Interactive Entertainment Limited	3,039	18.75	None
3	Shenzhen Tencent Computer System Co., Ltd.	7,291	5.89	None	Beijing AmazGame Age Internet Technology Co., Ltd.	8,622	10.58	None	Shenzhen Tencent Computer System Co., Ltd.	2,116	13.05	None
4	Beijing AmazGame Age Internet Technology Co., Ltd.	3,007	2.43	None	Shenzhen Gaea Technology Corporation	2,042	2.51	None	Beijing AmazGame Age Internet Technology Co., Ltd.	478	2.95	None
	Others	32,347	26.14	-	Others	43,373	53.21	-	Others	7,346	45.32	-
	Net purchases	123,739	100.00	-	Net purchases	81,510	100.00	-	Net purchases	16,210	100.00	-

Description:

1. Shenzhen Tencent Computer System Co., Ltd. is the company licensed to produce the mobile game "Sword and Fairy on Mobile," and it shall pay a royalty based on the share of revenue per month.

2. Shenzhen Gaea Technology Corporation is the company licensed to produce the mobile game "Sword and Fairy 3D on Mobile," and it shall pay a royalty based on the share of revenue per month.
3. Regarding MiTAC Information Technology Corp., due to the warm welcome from the newly launched mobile game, the higher use flow resulted in the increase of bandwidth charges.
4. Beijing AmazGame Age Internet Technology Co., Ltd. is the company licensed to produce mobile games "Sword and Fairy 5: Prequel" in 2016 and "Sword and Fairy 5" in 2017 and 2018, and it shall pay a royalty based on the share of revenue per month.
5. Hong Kong NetEase Interactive Entertainment Limited is the company licensed to produce the mobile game "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains (Mobile)," and it shall pay a royalty based on the share of revenue per month.

2. Information on the main customers in the most recent two years

Unit: thousand NT$

	2017				2018				As of 1st quarter of 2019			
Item	Name	Amount	Percentage of net sales in the year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales in the year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales in the year (%)	Relationship with the issuer
1	Company a	165,978	21.03	None	Company f	216,817	25.34	None	Company h	73,245	31.57	None
2	Company b	115,411	14.63	None	Company g	101,509	11.86	None	Company d	37,958	16.36	None
3	Company c	87,222	11.05	None	Company a	48,162	5.63	None	Company e	30,225	13.03	None
4	Company d	29,334	3.72	None	Company b	52,121	6.09	None	Company i	24,521	10.57	None
5	Company e	2,525	0.32	None	Company d	83,134	9.71	None	Company a	13,185	5.68	None
6	-	-	-	-	Company e	7,443	0.87	None	Company b	7,444	3.21	None
7	-	-	-	-	-	-	-	-	Company g	2,900	1.25	None
	Others	388,658	49.25	-	Others	346,552	40.50	-	Others	42,525	18.33	-
	Net sales	789,128	100.00	-	Net sales	855,738	100.00	-	Net sales	232,003	100.00	-

Description:

1. Company a and Company b are mobile games operating platforms.
2. Company c is a game operator.
3. Company d is the customer and operator for the licensed game IP.
4. Company e is the customer and operator for the licensed game IP.
5. Company f is the customer for the licensed IP for TV series.
6. Company g is the customer and operator for the licensed game IP.
7. Company h is the customer and operator for the licensed game IP.
8. Company i is the customer for the licensed IP for movies.

(V) Table of production volume in the past two years

The Company is a game software developer and operator, with its business under the cultural and creative industry instead of manufacturing industry; therefore, no table of production volume is available.

(VI) Sales volume and value in the past two years

Unit: set; thousand NT$

Year	2017				2018			
Sales volume and value / Main products	Domestic sales		Overseas sales		Domestic sales		Overseas sales	
	Volume	value	Volume	value	Volume	value	Volume	value
Sale of goods revenue	7,655	1,992	1,016	286	(6,269)	(2,573)	190	23,343
Rendering of service revenue	Note 1	110,042	Note 1	676,808	Note 1	145,231	Note 1	689,737
Total	7,655	112,034	1,016	677,094	(6,269)	142,658	190	713,080

Note 1: Income from labor services refers to the recognition of revenue by the labor providers who completed the services or the recognition of revenue by way of royalty; therefore, there is no statistic for sales volume.

III. Human Resources

Unit: per person

Year		2017	2018	Mar. 31, 2019
No. of employees	Manager	12	12	12
	Management and marketing personnel	68	60	61
	R&D personnel	242	261	266
	Total	322	333	339
Average age		33.5	33.3	33.4
Average year of services		4.5	4.7	4.7
Education background distribution	Doctor	-	-	-
	Master	29	29	29
	College and university	262	273	279
	Senior high school	31	29	29
	Below senior high school	0	2	2

IV. Environmental protection expenditure

Total losses (including damage awards) and fines for environmental pollution in the two most recent fiscal years, and as of the publication date of the Annual Report, and explanations of the measures and possible disbursements to be made in the future:

The Company does not fall in the business type, scope, or scale prescribed by the Water Pollution Control Act and the Air Pollution Control Act at the current stage. The Company is not affected by the RHOS imposed by the European Union; therefore, the Company expects no significant capital expenses on environmental protection currently or in the future.

V. Labor relations

(I) The Company's employee welfare policies, continuing education, training, retirement systems, and implementation status, the agreement between employees and employer and employees' rights and interests:

1. Benefit measures for employees: Except for complying with the Labor Standards Act and related requirements, the Company also provides employee training, employee trips, health check-ups, group insurance, and promotes work-life balance (such as soothing massage, sports clubs, board games and so on), etc.
2. Advanced studies and training for employees: The new employee orientation, individual function trainings or relevant training courses based on the governmental laws and regulations of the Company are all implemented according to a comprehensive training system, so as to motivate the potentials of our employees and nurture quality talents.

   Professional program and training received by our employees for 2018 is summarized as follow:

Department of the training receiver	Name of the training program	Organizer
Department of Product R&D	Unreal Circle	Institute for Information Industry
Department of Product R&D	2018 Unreal Open Day	EPIC GAMES
Department of Legal Affairs	Guidelines for Implementation and Management of Contract Terms Regarding Intellectual Property Rights	SYNTREND Startup Foundation
Department of Information	CYBERSEC 2018	Chinese Cryptology and Information Security Association
Department of Information	UOF Developers' Conference 2018	e-Excellence Inc.
Department of Human Affairs	Practices of Latest Working Hour System under the Labor Standard Laws	International Trade Business School
Department of Human Affairs	How to Legally Establish and Convene Labor Meeting	Labor Affairs School
Audit Office	Influences and Countermeasures for the Latest Amendment to the Company Act on Internal Audit and Internal Control Practices	Accounting Research and Development Foundation
Audit Office	Internal Audit and Internal Control Practices under the New IFRS 16 "Lease"	Accounting Research and Development Foundation
Department of Finance	Significant Issue and Practices Analysis under the Latest Draft Amendment of the Company Act and Annual Commercial and Industrial Law and Regulations	PwC Taiwan
Department of Finance	Key Points and Practices Exploration for the Latest Amendment to the Company Act	Yuanta Securities

3. Retire system: The Company established its Regulations for Employee Retirement based on the requirements of the Labor Standard Laws. All employees shall participate in the plan provided for the employee retirement reserve according to the prescribed ratio and deposit in a special account in the Bank of Taiwan (previously known as the Central Trust of China), which shall be supervised by the Employee Retirement Reserve Supervisory Committee

comprised of employees and the employer. Since the beginning of R.O.C., the Company has established the regulations for retirement with confirmed provisions based on the requirements under the Labor Pension Statutes. Such regulations apply to local employees, and a 6% of employee pension shall be provided per month to the personal accounts of the employees at the Bureau of Labor Insurance since July 1, 2015.

4. Labor agreements and maintenance measurements for employees' interests: All employees of the Company have participated in the labor insurance and the National Health Insurance according to the law, and have provided for employee retirement reserve and labor pension to prepare for the employees' retirement; other labor conditions are all in compliance with the standards of the Labor Standard Laws. In addition, to coordinate the labor-management relationship and promote labor-management cooperation, the Company holds labor meetings on a regular basis.
5. Protection measures for working environment and personal safety of employees:
   (1) The Company has a strict access monitoring system in the day and night. The building is equipped with the building security guards in charge of the building. The personnel must be equipped with door access control. The personnel must be equipped with door-entry access control, and the personnel must be equipped with a surveillance video and video recording and video recording to protect employees' personal safety.
   (2) According to the requirements under the Regulations for Inspecting and Reporting Buildings Public Security, the Company cooperates with the property management center to engage the professional company for public security inspection regularly (at least once a year).
   (3) To protect the health of our employees, the Company bans all tobacco products in our office area, holds CPR training, carries out environmental cleaning and disinfection regularly (at least once a year), and clean air conditioners and water towers (two times to four times a year).
   (4) Except for purchasing labor and health insurance according to the law, the Company also contacts insurance companies to purchase group insurance for all our employees.
6. Other significant agreement: None.

(II) For the past two years and as of the date of printing the annual report, there has been no loss incurred from labor-management disputes. Shall there be no other external changing factors for labor-management relations, there shall be no monetary loss in the future.

VI. Important contracts

Nature	Parties	Term	Major content	Restrictive clauses
Licensing agreement	Company A	2017/3/3~2022/5/1	Sword and Fairy 7 single player game	None
Licensing agreement	Company B	2018/2/1~2021/2/1	Sword and Fairy 1 TV series licensing (Global)	None
Licensing agreement	Company C	Three years from Sep. 27, 2018 to the date of the game product's launching and operation on the first platform.	Sword and Fairy Licensing (Global), excluding Taiwan, Hong Kong, and Macau	None
Licensing agreement	Company D	2019/2/8~2022/2/7	Sword and Fairy 1 on Mobile (Global)	None

Chapter 6 Financial Information

I. Five-Year Financial Summary

(I)

1. Condensed Consolidated Balance Sheet - IFRS(s)

Unit: thousand NT$

Item \ Year		Financial data for the past five years (Note 1)					Financial information for the year as of March 31, 2019 (Note 7)
		2014	2015	2016	2017	2018	
Current assets		352,157	343,255	579,309	502,389	602,860	878,588
Property, plant and equipment (Note 2)		11,405	31,539	31,922	33,096	23,423	22,359
Intangible assets		29,110	26,762	10,258	18,569	12,586	10,617
Other assets (Note 2)		277,888	319,273	313,326	337,143	444,290	412,533
Total assets		670,560	720,829	934,815	891,197	1,083,159	1,324,097
Current liabilities	Beforedistribution	267,136	229,412	394,452	343,341	410,839	675,439
	Afterdistribution	Note3	Note4	Note3	Note5	Note6	NA
Non-current liabilities		113,550	19,539	23,644	55,167	185,834	94,539
Total liabilities	Beforedistribution	380,686	248,951	418,096	398,508	596,673	769,978
	Afterdistribution	Note3	Note4	Note3	Note5	Note6	NA
Total equity attributable to the parent company		289,874	471,878	516,362	491,504	486,370	553,766
Common stock		455,778	462,078	481,936	478,313	477,945	492,945
Additional paid-in capital		192,683	37,736	186,125	25,174	179,197	163,153
Retained earnings	Beforedistribution	(362,530)	1,011	(135,973)	17,573	144,139	147,759
	Afterdistribution	Note3	Note4	Note3	Note5	Note6	NA
Other components of equity		3,943	(28,947)	(15,726)	(29,556)	(314,911)	(250,091)
Treasury stock		-	-	-	-	-	-
Non-controlling interests		-	-	357	1,185	116	353
Total equity	Beforedistribution	289,874	471,878	516,719	492,689	486,486	554,119
	Afterdistribution	Note3	Note4	Note3	Note5	Note6	NA

＊ Companies having compiled an individual financial report shall otherwise compile individual condensed balance sheet and consolidated income statement for the past 5 years.

＊ Companies adopted IFRS for the financial information for less than five years shall otherwise compile financial information complying with financial accounting standards in Taiwan.

Note 1: The above financial information for the past five years have been audited and certified by CPA.

Note 2: As of Dec. 31, 2018, no asset revaluation was performed by the Company.

Note 3: The Company recorded accumulated losses for 2014 and 2016; no surplus was available for distribution.

Note 4: On Mar. 29, 2016, the Board meeting proposed to not distribute dividends for 2015.

Note 5: On Mar. 30, 2018, the Board meeting proposed to not distribute dividends for 2016.

Note 6: On Mar. 19, 2019, the Board meeting proposed to not distribute dividends for 2018.

Note 7: Reviewed by CPA.

2. Condensed Consolidated balance sheet - Taiwan's GAAP

   The Company has been adopting IFRS for the past five years (2014-2018); therefore, the information disclosure is not applicable.

3. Condensed Parent Company Only balance sheet - IFRS(s)

Unit: thousand NT$

Item \ Year		Financial data for the past five years (Note 1)					Financial information for the year as of Mar. 31, 2019
		2014	2015	2016	2017	2018	
Current assets		184,531	172,315	335,570	294,585	371,972	-
Property, plant and equipment (Note 2)		3,229	18,475	19,264	16,671	14,271	-
Intangible assets		10,161	10,072	7,622	13,971	6,302	-
Other assets (Note 2)		239,037	421,503	339,254	430,010	369,302	-
Total assets		436,958	622,365	701,710	755,237	761,847	-
Current liabilities	Before distribution	33,534	130,841	154,533	204,658	194,375	-
	After distribution	Note 3	Note 4	Note 3	Note 5	Note 6	-
Non-current liabilities		113,550	19,646	30,815	59,075	81,102	-
Total liabilities	Before distribution	147,084	150,487	185,348	263,733	275,477	-
	After distribution	Note 3	Note 4	Note 3	Note 5	Note 6	-
Common stock		455,778	462,078	481,936	478,313	477,945	-
Additional paid-in capital		192,683	37,736	186,125	25,174	179,197	-
Retained earnings	Before distribution	(362,530)	1,011	(135,973)	17,573	144,139	-
	After distribution	Note 3	Note 4	Note 3	Note 5	Note 6	-
Other components of equity		3,943	(28,947)	(15,726)	(29,556)	(314,911)	-
Treasury stock		-	-	-	-	-	-
Total equity	Before distribution	289,874	471,878	516,362	491,504	486,370	-
	After distribution	Note 3	Note 4	Note 3	Note 5	Note 6	-

Note 1: IFRS was adopted for the above financial information for the past five years, and the financial information has been audited and certified by CPA.
Note 2: As of Dec. 31, 2018, no asset revaluation was performed by the Company.
Note 3: The Company recorded accumulated losses for 2014 and 2016; no surplus was available for distribution.
Note 4: On Mar. 29, 2016, the Board meeting proposed to not distribute dividends for 2015.
Note 5: On Mar. 30, 2018, the Board meeting proposed to not distribute dividends for 2016.
Note 6: On Mar. 19, 2019, the Board meeting proposed to not distribute dividends for 2018.

4. Condensed Parent Company Only balance sheet - Taiwan's GAAP
The Company has been adopting IFRS for the past five years (2014-2018), the information disclosure is not applicable.

(II)

1. Condensed consolidated statement of comprehensive income- IFRS(s)

Unit: thousand NT$

Item \ Year	Financial data for the past five years (Note 1)					Financial information for the year as of Mar. 31, 2019 (Note 3)
	2014	2015	2016	2017	2018	
Net sales	332,517	756,917	702,634	789,128	855,738	232,003
Gross profit(loss)	279,454	634,168	579,962	665,389	774,228	215,793
Operating income(loss)	(23,050)	92,985	(93,280)	36,533	146,456	16,142
Non-operating income and expenses	(6,078)	100,032	(31,099)	(11,416)	(7,894)	329
Profit(loss) before income tax	(29,128)	193,017	(124,379)	25,117	138,562	16,471
Net Income(loss) from Continuing Operations	(33,786)	176,413	(141,295)	9,528	85,427	2,813
Income(loss) on discontinuing operations	-	-	-	-	-	-
Net income(loss)	(33,786)	176,413	(141,295)	9,528	85,427	2,813
Total other comprehensive income(loss),net of tax	(1,272)	(3,718)	(8,867)	(25,052)	(91,107)	3,648
Total comprehensive income(loss)	(35,058)	172,695	(150,162)	(15,524)	(5,680)	6,461
Net income(loss) attributable to Stockholders of the parent	(35,967)	176,413	(136,752)	18,244	87,823	3,620
Net income(loss) attributable to non-controlling interests	2,181	-	(4,543)	(8,716)	(2,396)	(807)
Comprehensive income(loss) attributable to Stockholders of the parent	(30,880)	172,695	(145,619)	(6,808)	(3,284)	7,268
Comprehensive income(loss) attributable to non-controlling interests	(4,178)	-	(4,543)	(8,716)	(2,396)	(807)
Earnings(loss) per share(NTD)	(0.82)	3.87	(2.90)	0.38	1.84	0.08

＊ Companies having compiled an individual financial report shall otherwise compile individual condensed balance sheet and consolidated income statement for the past 5 years.

＊ Companies adopted IFRS for the financial information for less than five years shall otherwise compile financial information complying with financial accounting standards in Taiwan.

Note 1: The above financial information for the past five years have been audited and certified by CPA.

Note 2: As of Dec. 31, 2018, no asset revaluation was performed by the Company.

Note 3: Reviewed by CPA.

2. Condensed consolidated statement of comprehensive income - Taiwan's GAAP

The Company has been adopting IFRS for the past five years (2014-2018), the information disclosure is not applicable.

3. Condensed Parent Company Only statement of comprehensive income - IFRS(s)

Unit: thousand NT$

Item \ Year	Financial data for the past five years (Note 1)					Financial information for the year as of Mar. 31, 2019
	2014	2015	2016	2017	2018	
Net Sales	119,268	342,430	376,655	353,406	547,106	-
Gross profit(loss)	101,710	293,643	301,437	257,695	507,639	-
Operating income (loss)	(14,523)	79,253	43,838	67,925	198,650	-
Non-operating income and expenses	(17,803)	113,645	(167,286)	(34,957)	(74,835)	-
Profit(loss) before income tax	(32,326)	192,898	(123,448)	32,968	123,815	-
Net income(loss)	(35,967)	176,413	(136,752)	18,244	87,823	-
Total other comprehensive income(loss), net of tax	5,087	(3,718)	(8,867)	(25,052)	(91,107)	-
Total comprehensive income(loss)	(30,880)	172,695	(145,619)	(6,808)	(3,284)	-
Earnings(loss) per share(NTD)	(0.82)	3.87	(2.90)	0.38	1.84	-

Note 1: The above financial information for the past five years have been audited and certified by CPA.

4. Condensed Parent Company Only statement of comprehensive income - Taiwan's GAAP

The Company has been adopting IFRS for the past five years (2014-2018), the information disclosure is not applicable.

(III) Name of the CPA and its audit opinion for the past five years:

Year	CPA	Audit opinion
2014	DU, PEI-LING; WANG, HUI-XIAN	Unqualified opinion with Emphasis of Matter
2015	DU, PEI-LING; WANG, HUI-XIAN	Unqualified opinion
2016	DU, PEI-LING; WANG, HUI-XIAN	Unqualified opinion
2017	YU,CHIEN-JU; YANG,CHIH-HUEI	Unqualified opinion
2018	YU,CHIEN-JU; YANG,CHIH-HUEI	Unqualified opinion with Emphasis of Matter
1st quarter of 2019	YU,CHIEN-JU; YANG,CHIH-HUEI	Qualified opinion with Emphasis of Matter Review Report

II. Five-Year Financial Analysis

(I) Financial analysis - IFRS(s)

Analyzing Item (Note 3)	Year	Financial information for the most recent 5 years (Note 1)					Financial information for the year as of March 31, 2019 (Note 1)
		2014	2015	2016	2017	2018	
Financial structure (%)	Liabilities to assets ratio	56.77	34.54	44.72	44.72	55.09	58.15
	Proportion of long-term capital in PP&E	3,537.26	1,558.12	1,691.64	1,651.77	2,869.85	2,899.53
Solvency %	Current ratio	131.83	149.62	146.86	146.32	146.74	130.08
	Quick ratio	100.40	132.24	117.45	106.67	100.76	80.47
	Interest coverage ratio	(22.15)	155.29	(151.80)	16.80	83.77	11.58
Operation performance	Receivables turnover rate (times)	10.85	8.62	5.79	7.07	7.49	4.30
	Average collection days	34	42	63	52	48	85
	Inventory turnover rate (times)	1.35	2.92	0.65	0.85	0.49	0.43
	Payables turnover rate (times)	4.82	4.23	2.39	2.23	1.34	0.95
	Average days for sale	270	125	562	429	745	849
	PP&E turnover rate (times)	27.78	35.25	22.14	24.27	30.28	40.54
	Total assets turnover rate (times)	0.58	1.09	0.85	0.86	0.87	0.77
Profitability	Return on assets (%)	(5.69)	25.51	(16.99)	1.19	8.79	1.35
	Return on equity (%)	(11.54)	46.32	(28.60)	1.89	17.47	2.16
	Ratio of net profit on paid-up capital (%) (Note 7)	(6.39)	41.77	(25.81)	5.25	28.99	13.37
	Net profit margin (%)	(10.16)	23.31	(20.11)	1.21	9.98	1.21
	Earnings per share (NT$)	(0.82)	3.87	(2.90)	0.38	1.84	0.08
Cash flow	Cash flow ratio (%)	(5.95)	48.22	17.36	(6.93)	(39.48)	(10.03)
	Cash flow adequacy ratio (%)	(88.41)	5.32	30.58	23.00	(4.33)	(19.43)
	Cash flow reinvestment ratio (%)	(3.74)	42.38	20.71	(9.26)	(58.50)	(23.57)
Leverage ratio	Operating leverage ratio	Note 2	5.37	Note 2	13.61	4.01	10.70
	Financial leverage ratio	Note 2	1.01	Note 2	1.05	1.01	1.11

Reason for changes in financial ratios for the past two years (analysis is not required when the changes are less than 20%):

1. Financial structure:
   (1) Liabilities to assets ratio: Primarily due to the increase of bank borrowings and advanced royalties for games.
   (2) Long term funds to PP&E ratio: Due to the increase in advanced royalties for games during the period, instead of the increase of non-current liabilities (contract liabilities).
2. Solvency:
   (1) Interest coverage ratio: Due to the increase of audiovisual licensing revenue and the decrease of operating ratio in 2018, the net profit was higher than that of 2017; therefore, the financial ratio is better than the previous year.
3. Operation performance:
   (1) Inventories turnover rate and average days for sale: Inventories turnover rate decreased and average days for sale increased due to the decrease in sales for single player games.
   (2) Payables turnover rate: Payables turnover rate decreased due to the decrease in operating costs in 2018.
   (3) PP&E turnover rate: Due to the increase in operating revenue.
4. Profitability:
   (1) Net profit for 2018 was higher than that of 2017; therefore, financial ratios were better than the previous year.
5. Cash flow:
   Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Due to the cash outflow for operating activities in 2018.
6. Leverage ratio:
   For the reason that the net profit for 2018 was higher than that of 2017.

* Companies having prepared individual financial report shall otherwise prepare the individual financial ratio analysis of the Company.
* Companies adopted IFRS for the financial information for less than five years shall otherwise compile financial information complying with financial accounting standards in Taiwan.

Note 1: Financial information from 2014 to 2018 has been certified by CPA; the financial information for the 1st quarter of 2019 has also been reviewed by the CPA.

Note 2: Operating profit for 2014 and 2016 were negatives; therefore, they were excluded from the calculation.

Note 3: At the end of the statement of the annual report shall set out the calculation formula as follow:

1. Financial structure
   (1) Debt-asset Ratio = Total Liabilities / Total Assets.
   (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
   (3) Interest coverage ratio = net profit before tax and interest / interest expenses.
3. Operation performance
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average collection days = 365 / receivables turnover rate.
   (3) Inventory turnover rate = cost of sales / average inventory.
   (4) Account payables (including accounts payable and notes payable for operation) turnover rate = cost of goods sold/average accounts payable (including accounts payable and notes payable for operation) balance.
   (5) Average days for sale = 365 / inventory turnover rate.
   (6) PP&E turnover rate = net sales / average net property, plant, and equipment.
   (7) Total asset turnover rate = sales / average total assets.
4. Profitability
   (1) Return on assets = [profit or loss after tax + interest expenses × (1 - tax rate)] / average total assets.
   (2) Return on equity = net profit or loss after tax / average total equity
   (3) Net margin = net profit or loss after tax / net sales.
   (4) Earnings per share = (net profit or loss attributable to owners of the parent company – dividends on preferred shares) / weighted average number of issued shares. (Note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow for operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = net cash flow for operating activities for the past five years / (capital expenses + increase in inventories + cash dividends) for the past five years.
   (3) Cash reinvestment ratio = (net cash flow for operating activities – cash dividends) / (gross value for PP&E + long-term investment + other non-current assets + working capital). (Note 5)
6. Leverage ratio:
   (1) Operating leverage ratio= (net operating revenue - variable operating costs and expenses) / operating income.
   (2) Degree of financial leverage (DFL) = operating income / (operating income - interest expenses).

Note 4: Regarding the above calculation formula for earnings per share, please be aware of the following matters when measuring:

1. Based on the weighted average number of issued ordinary shares, instead of the number of issued shares by the end of the year.
2. For cash capital increase or treasure shares transactions, consider the circulation period to calculate the weighted average number of shares.
3. Regarding retained earnings transferred to capital increase or capital reserve transferred to capital, when calculating earnings per share for the past year or interim, it shall make retrospective adjustments according to the capital increase ratio, without taking into account the issuance period of capital increase.
4. If the preference shares are non-convertible cumulative preference shares, its dividend of the year

(whether it is being distributed or not) shall add or subtract the net loss from the net income. If the preference shares are not non-convertible, where there is net profit after tax, the dividends of the preference shares shall be deducted from the net profit after tax; however, such adjustments are not applicable in case of losses.

Note 5: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expense refers to the cash outflow for capital investment per year.
3. The increase in inventories will be recognized when the closing balance is higher than the opening balance. When a decrease in inventories incurred, it shall be recorded as zero.
4. Cash dividends include cash dividends for ordinary shares and preference shares.
5. Gross value for PP&E refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 6: Issuers shall divide operating costs and operating expenses into fixed and variables based on their nature; shall there be estimation or subjectivity involved, issuers shall be aware of the rationality and consistency.

Note 7: Where the Company share is with nil nominal value or where the nominal value of each share is not NT$10, the above calculation regarding percentage to paid-up capital shall be substituted by the percentage of equity attributable to owners of parent Company in the balance sheet.

(II) Financial analysis - Taiwan's GAAP

The Company has been adopting IFRS for the past five years (2014-2018), the information disclosure is not applicable.

(III) Parent company only financial analysis - IFRS(s)

Analyzing Item (Note 3) / Year		Financial information for the most recent 5 years (Note 1)					For the year as of Mar. 31, 2019
		2014	2015	2016	2017	2018	
Financial structure (%)	Liabilities to assets ratio	33.66	24.18	26.41	34.92	36.16	-
	Proportion of long-term capital in PP&E	12,493.78	2,660.48	2,840.41	3,302.62	3976.40	-
Solvency %	Current ratio	550.28	131.70	217.15	143.94	191.37	-
	Quick ratio	452.53	121.17	180.04	106.35	130.60	-
	Interest coverage ratio	(24.7)	155.20	(150.66)	21.73	90.53	-
Operation performance	Receivables turnover rate (times)	11.14	12.86	6.77	4.65	6.55	-
	Average collection days	33	28	54	78	56	-
	Inventory turnover rate (times)	3.70	-	-	-	-	-
	Payables turnover rate (times)	3.97	2.51	1.83	2.09	0.74	-
	Average days for sale	99	-	-	-	-	-
	PP&E turnover rate (times)	21	31.55	19.96	19.67	35.36	-
	Total assets turnover rate (times)	0.42	0.65	0.57	0.49	0.72	-
Profitability	Return on assets (%)	(12.42)	33.50	(20.55)	2.69	11.73	-
	Return on equity (%)	(21.53)	46.32	(27.68)	3.62	17.96	-
	Net profit before tax to paid-in capital ratio (%) (Note 7)	(7.09)	41.75	(25.62)	6.89	25.91	-
	Net profit margin (%)	(30.16)	51.52	(36.31)	5.16	16.05	-
	Earnings per share (NT$)	(0.82)	3.87	(2.90)	0.38	1.84	-
Cash flow	Cash flow ratio (%)	(233.74)	137.06	23.08	46.91	18.27	-
	Cash flow adequacy ratio (%)	(87.78)	(0.83)	18.36	31.08	35.07	-
	Cash flow reinvestment ratio (%)	(17.95)	66.71	10.89	28.64	10.68	-
Leverage ratio	Operating leverage ratio	Note 2	3.23	5.83	3.48	2.35	-
	Financial leverage ratio	Note 2	1.02	1.02	1.02	1.01	-

Reason for changes in financial ratios for the past two years (analysis is not required when the changes are less than 20%):

1. Financial structure:
   (1) Long-term capital to PP&E ratio: Due to the increase in advanced royalties for games during the period, instead of the increase of non-current liabilities (contract liabilities).
2. Solvency:
   (1) Current ratio and quick ratio: Primarily due to the increase in current assets through the recognition of contract assets for audiovisual licensing upon IFRS15 application in 2018.
   (2) Interest coverage rate: Net profit of 2018 was higher than that of 2017; therefore, financial ratios are better.
3. Operation performance:
   (1) Receivables turnover rate, average collection days: Due to the higher of net sales during the year.
   (2) Payables turnover rate: Payables turnover rate decreased due to the decrease in operating costs in 2018.
   (3) PP&E turnover rate and total assets turnover rate: Due to the increase in operating revenue.
4. Profitability:
   (1) Net profit of 2018 was higher than that of 2017; therefore, financial ratios are better.
5. Cash flow:
   Cash flow ratio and cash reinvestment ratio: Due to the decrease in net cash inflow for operating activities in 2018.
6. Leverage ratio: For the reason that the net profit of 2018 was higher than that of 2017

Note 1: The above financial information for the past five years have been audited and certified by CPA.
Note 2: Operating profit for 2014 was negative; therefore, it was excluded from the calculation.
Note 3: At the end of the statement of the annual report shall set out the calculation formula as follow:

1. Financial structure
   (1) Debt-asset Ratio = total liabilities / total assets.
   (2) Ratio of long-term capital to PP&E = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventories - prepaid expenses) / current liabilities.
   (3) Interest coverage ratio = net profit before tax and interest / interest expenses.
3. Operation performance
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average collection days = 365 / receivables turnover rate.
   (3) Inventory turnover rate = cost of sales / average inventory.
   (4) Account payables (including accounts payable and notes payable for operation) turnover rate = cost of goods sold/average accounts payable (including accounts payable and notes payable for operation) balance.
   (5) Average days for sale = 365 / inventory turnover rate.
   (6) PP&E turnover rate = net sales / average net property, plant, and equipment.
   (7) Total asset turnover rate = sales / average total assets.
4. Profitability
   (1) Return on assets = [profit or loss after tax + interest expenses × (1 - tax rate)] / average total assets.
   (2) Return on equity = net profit or loss after tax / average total equity
   (3) Net margin = net profit or loss after tax / net sales.
   (4) Earnings per share = (net profit or loss attributable to owners of the parent company – dividends on preferred shares) / weighted average number of issued shares. (Note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow for operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = net cash flow for operating activities for the past five years / (capital expenses + increase in inventories + cash dividends) for the past five years.
   (3) Cash reinvestment ratio = (net cash flow for operating activities – cash dividends) / (gross value for PP&Efixed + long-term investment + other non-current assets + working capital). (Note 5)
6. Leverage ratio:
   (1) Operating leverage ratio= (net operating revenue - variable operating costs and expenses) / operating income.
   (2) Degree of financial leverage (DFL) = operating income / (operating income - interest expenses).

Note 4: Regarding the above calculation formula for earnings per share, please be aware of the following matters when measuring:

1. Based on the weighted average number of issued ordinary shares, instead of the number of issued shares by the end of the year.
2. For cash capital increase or treasure shares transactions, consider the circulation period to calculate the weighted average number of shares.
3. Regarding retained earnings transferred to capital increase or capital reserve transferred to capital, when calculating earnings per share for the past year or interim, it shall make retrospective adjustments according to the capital increase ratio, without taking into account the issuance period of capital increase.
4. If the preference shares are non-convertible cumulative preference shares, its dividend of the year (whether it is being distributed or not) shall add or subtract the net loss from the net income. If the preference shares are not non-convertible, where there is net profit after tax, the dividends of the preference shares shall be deducted from the net profit after tax; however, such adjustments are not applicable in case of losses.

Note 5: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expense refers to the cash outflow for capital investment per year.
3. The increase in inventories will be recognized when the closing balance is higher than the opening balance. When a decrease in inventories incurred, it shall be recorded as zero.
4. Cash dividends include cash dividends for ordinary shares and preference shares.
5. Gross value for PP&E refers to the total amount of property, plant and equipment before deducting accumulated depreciation.

Note 6: Issuers shall divide operating costs and operating expenses into fixed and variables based on their nature; shall there be estimation or subjectivity involved, issuers shall be aware of the rationality and consistency.

Note 7: Where the Company share is with nil nominal value or where the nominal value of each share is not NT$10, the above calculation regarding percentage to paid-up capital shall be substituted by the percentage of equity attributable to owners of parent Company in the balance sheet.

(IV) Parent company only financial analysis - Taiwan's GAAP

The Company has been adopting IFRS for the past five years (2014-2018), the information disclosure is not applicable.

III. Audit Committee's report in the most recent year

SOFTSTAR ENTERTAINMENT INC.

Audit Committee's Review Report

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

To:

2019 Annual Shareholders Meeting

Chairman of the Audit Committee: Hung, Pi-Lien

March 19, 2019

IV. Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors'Report

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2018 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as "Combined Financial Statements"). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of combined financial statements than the Consolidated Financial Statements.

Very truly yours,

SOFTSTAR ENTERTAINMENT INC.

Chairman: Tu, Chun-Kuang

March 19, 2019

English Translation of a Report Originally Issued in Chinese

Independent Auditor's Report

To SOFTSTAR ENTERTAINMENT INC.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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;

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;

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 by 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:

Understanding the process of allocation and recognition of revenue regarding recharging game credits, and using credits to purchase virtual items;

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.

Obtaining the estimation tables for the life cycle of the gamers to confirm the rationality of the allocation and recognition of revenue of virtual items.

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

Emphasis of Matter – Applying for New Accounting Standards

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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.

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.

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

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.

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

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

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

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

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

Other Matter

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

Yu, Chien-Ju
Yang, Chih-Huei

Ernst & Young, Taiwan
March 19, 2019

Notice to Readers

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

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

Assets	Notes	As of December 31, 2018	As of December 31, 2017
Current assets			
Cash and cash equivalents	4 and 6	$180,410	$255,290
Contract assets, current	4 and 6	112,692	-
Notes receivable, net	4	1,231	1,324
Accounts receivable, net	4 and 6	112,039	104,780
Accounts receivable-related parties, net	4, 6 and 7	5,304	1,685
Other receivables	4	1,834	3,172
Other receivables-related parties	4 and 7	441	-
Current income tax assets	4	1,342	8,985
Inventories, net	4 and 6	1,817	3,377
Prepayment	6 and 7	140,637	113,113
Other financial assets, current	8	45,113	10,663
Total current assets		602,860	502,389
Non-current assets			
Financial assets at fair value through other comprehensive income, noncurrent	4 and 6	189,506	-
Available-for-sale financial assets, noncurrent	4 and 6	-	105,274
Financial assets measured at cost, noncurrent	4 and 6	-	186,703
Investments accounted for using the equity method	4 and 6	16,528	16,397
Contract assets, noncurrent	4 and 6	101,286	-
Property, plant and equipment	4 and 6	23,423	33,096
Intangible assets	4 and 6	12,586	18,569
Deferred tax assets	4 and 6	4,081	-
Refundable deposits		11,846	12,019
Costs to fulfil a contract	4 and 6	98,043	-
Other financial assets, noncurrent	8	23,000	16,750
Total non-current assets		480,299	388,808
Total assets		$1,083,159	$891,197

Liabilities and Equity	Notes	As of December 31, 2018	As of December 31, 2017
Current liabilities			
Short-term borrowings	6	$62,425	$-
Contract liabilities, current	4 and 6	91,483	-
Notes payable		-	694
Accounts payable		68,583	51,058
Accounts payable-related parties	7	943	1
Other payables	6	87,158	74,960
Other payables-related parties	7	33	33
Current income tax liabilities	4 and 6	14,485	-
Current portion of long-term liabilities	4, 6 and 8	36,881	26,420
Other current liabilities	6	48,848	190,175
Total current liabilities		410,839	343,341
Non-current liabilities			
Contract liabilities, noncurrent	4 and 6	115,967	-
Long-term borrowings	4, 6 and 8	47,721	36,268
Deferred tax liabilities	4 and 6	604	-
Other noncurrent liabilities		314	314
Net defined benefit liabilities	4 and 6	21,228	18,585
Total non-current liabilities		185,834	55,167
Total liabilities		596,673	398,508
Equity attributable to the parent company	4 and 6		
Common stock		477,945	478,313
Additional paid-in capital		179,197	25,174
Retained earnings			
Legal reserve		1,925	101
Special reserve		15,648	-
Unappropriated earnings		126,566	17,472
Other components of equity		(314,911)	(29,556)
Total equity attributable to the parent company		486,370	491,504
Non-controlling interests		116	1,185
Total equity		486,486	492,689
Total liabilities and equity		$1,083,159	$891,197

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

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

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings			Others Components of Equity							
Description	**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**	**Treasury Stock**	**Total**	**Non-Controlling Interests**	**Total**
Balance as of January 1, 2017	$481,936	$186,125	$101	$-	$(136,074)	$(6,638)	$-	$1,251	$(10,339)	$-	$516,362	$357	$516,719
Additional paid-in capital used to cover accumulated deficits	-	(136,074)	-	-	136,074	-	-	-	-	-	-	-	-
Net profit (loss) in 2017	-	-	-	-	18,244	-	-	-	-	-	18,244	(8,716)	9,528
Other comprehensive income in 2017	-	-	-	-	(772)	(803)	-	(23,477)	-	-	(25,052)	-	(25,052)
Total comprehensive income (loss)	-	-	-	-	17,472	(803)	-	(23,477)	-	-	(6,808)	(8,716)	(15,524)
Treasury stock acquired	-	-	-	-	-	-	-	-	-	(25,736)	(25,736)	-	(25,736)
Treasury stock retired	(3,220)	(22,516)	-	-	-	-	-	-	-	25,736	-	-	-
Share-based payment transactions	(403)	(2,361)	-	-	-	-	-	-	10,450	-	7,686	-	7,686
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	9,544	9,544
Balance as of December 31, 2017	$478,313	$25,174	$101	$-	$17,472	$(7,441)	$-	$(22,226)	$111	$-	$491,504	$1,185	$492,689
Balance as of January 1, 2018	$478,313	$25,174	$101	$-	$17,472	$(7,441)	$-	$(22,226)	$111	$-	$491,504	$1,185	$492,689
Effect of retrospective application and retrospective restatement	-	-	-	-	41,328	-	(61,448)	22,226	-	-	2,106	-	2,106
Balance as of January 1, 2018 after adjustments	478,313	25,174	101	-	58,800	(7,441)	(61,448)	-	111	-	493,610	1,185	494,795
Appropriation and distribution of 2017 retained earnings													
Legal reserve	-	-	1,824	-	(1,824)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	15,648	(15,648)	-	-	-	-	-	-	-	-
Net income (loss) in 2018	-	-	-	-	87,823	-	-	-	-	-	87,823	(2,396)	85,427
Other comprehensive income in 2018	-	-	-	-	(2,585)	(433)	(88,089)	-	-	-	(91,107)	-	(91,107)
Total comprehensive income (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

The accompanying notes are an integral part of the parent company only 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, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

1. History and organization

Formerly known as Cyber Power Systems, Inc., SOFTSTAR ENTERTAINMENT INC. ("the Company") was incorporated in August 1998 in the Republic of China and it changed its name to SOFTSTAR ENTERTAINMENT INC. the same year. The Company and its subsidiaries ("the Group") main lines of business include online games, game software, instructional software, and research, design and sales of computer peripherals. The Company listed its shares of stock on the Taipei Stock Exchange (TPEx) on August 8, 2001. The Company's registered office and the main business location is at 23F, No. 200, Section 1, Keelong Road, Taipei, Republic of China (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Group for the years ended December 31, 2018 and 2017 were authorized for issue by the Board of Directors on March 19, 2019.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

The impact on the Group's balance sheet on January 1, 2018 from applying for the first time the update of International Financial Reporting Standards from 2017 edition to 2018 edition is summarized as follows:

	2017 edition of IFRS	Adjustments related to edition update	2018 edition of IFRS	Note
Current assets:				
Contract assets	$-	$6,737	$6,737	(1)
Accounts receivable, net	106,465	(568)	105,897	(1)
Prepayment	113,113	1,377	114,490	(1)

	2017 edition of IFRS	Adjustments related to edition update	2018 edition of IFRS	Note
Non-current assets:				
Available-for-sale financial assets	$105,274	$(105,274)	$-	(2)
Financial assets measured at cost	186,703	(186,703)	-	(2)
Financial assets at fair value through other comprehensive income	-	291,977	291,977	(2)
Contract assets	-	11,964	11,964	(1)
Costs to fulfil a contract	-	19,761	19,761	(1)
Current liabilities:				
Contract liabilities	-	166,379	166,379	(1)
Other payables	74,960	1,820	76,780	(1)
Other current liabilities	190,175	(188,764)	1,411	(1)
Current income tax liabilities	-	2,739	2,739	(1)
Non-current liabilities:				
Deferred tax liabilities	-	4,466	4,466	(1)
Contract liabilities	-	50,525	50,525	(1)
Equity:				
Retained earnings	17,573	41,328	58,901	(1)、(2)
Other components of equity	(29,556)	(39,222)	(68,778)	(2)

Assuming for the year ended December 31, 2018, the Group still adopted the International Financial Reporting Standards relating to the income standards of 2017 edition (including IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations), the impact on each of the Group's financial statements line items is summarized as follows:

	2018 edition of IFRS	Assuming 2017 edition of IFRS income standards are applied	Difference	Note
December 31,2018				
Balance Sheet:				
Current assets:				
Contract assets, current	$52,600	$-	$(52,600)	(1)
Accounts receivable, net	112,039	222,178	110,139	(1)
Current income tax assets	1,342	-	(1,342)	(1)
Prepayment	140,637	176,318	35,681	(1)
Non-current assets:				
Costs to fulfil a contract	98,043	-	(98,043)	(1)
Contract assets, noncurrent	161,378	-	(161,378)	(1)

	2018 edition of IFRS	Assuming 2017 edition of IFRS income standards are applied	Difference	Note
Current liabilities:				
Contract liabilities, current	$91,483	$-	$(91,483)	(1)
Other payables	87,158	79,426	(7,732)	(1)
Other current liabilities	48,848	256,736	207,888	(1)
Current income tax liabilities	14,485	1,909	(12,576)	(1)
Non-current liabilities:				
Contract liabilities, noncurrent	115,967	-	(115,967)	(1)
Equity:				
Retained earnings	144,139	(3,534)	(147,673)	(1)
For the Year Ended December 31, 2018				
Statement of Comprehensive Income:				
Net sales	855,738	769,736	(86,002)	(1)
Cost of goods sold	(81,510)	(81,510)	-	(1)
Gross profit	774,228	688,226	(86,002)	(1)
Operating expenses:				
Sales and marketing expenses	(187,268)	(178,460)	8,808	(1)
General and administrative expenses	(122,069)	(122,222)	(153)	(1)
Research and development expenses	(308,401)	(395,281)	(86,880)	(1)
Expected credit losses	(10,034)	-	10,034	(1)
Total operating expenses	(627,772)	(695,963)	(68,191)	(1)
Operating income	146,456	(7,737)	(154,193)	(1)
Non-operating income and expenses	(7,894)	7,894	-	(1)
Income tax expense	(53,135)	(44,509)	8,626	(1)
Net income	85,427	(60,140)	(145,567)	(1)
Net income attributable to:				
Stockholders of the parent	87,823	(57,744)	(145,567)	(1)
Non-controlling interests	(2,396)	(2,396)	-	(1)
Earnings per share (NTD)				
Earnings per share-basic	$1.84	$(1.21)		(1)
Earnings per share-diluted	1.84	(1.21)		(1)
For the Year Ended December 31, 2018				
Statement of Cash Flows				
Cash flows from operating activities				
Contract assets	$(195,277)	$-	195,277	(1)
Accounts receivable, net	(16,176)	(125,748)	(109,572)	(1)
Prepayment	(26,970)	(63,204)	(36,234)	(1)
Costs to fulfil a contract	(78,282)	-	78,282	(1)
Contract liabilities	(9,453)	-	9,453	(1)
Other payables	10,364	8,227	(2,137)	(1)
Other current liabilities	(169)	18,955	19,124	(1)

Note:

(1) The details regarding the application of *IFRS 15"Revenue from Contracts with Customers" (including Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")* are as follow:

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group's principal revenue from contracts consists of royalty revenue and game operation revenue. Royalty revenue derives from licensing its solely developed intellectual property (IP) to others that grant use in game development, game operations and film content. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

(A) Please refer to Note 4 for the accounting policies before or after January 1, 2018.

(B) Please refer to the table above for the impact on each of the Group's financial statements for the year ended December 31, 2018 line items compared with the requirements of IAS 18.

(C) Revenue Recognition – Royalties

Before January 1, 2018, revenue recognition for royalties was recognized by straight -line method over the contract period or according to the acceptance progress. Starting from January 1, 2018, the Group recognized the aforementioned revenue in accordance with IFRS 15. The Group identifies performance obligations and determines 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 and recognizes revenue accordingly. However, for some contracts, if the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Before January 1, 2018, the Group recognized the consideration received in advance from customers under other current liabilities. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities.

(D) Estimating variable consideration

Starting from January 1, 2018, implied by the Group's business practices, the Group determines that it expects to provide a price concession. This price concession will depend on the situation of the industry at the time and the customer. In accordance with IFRS 15, the expected value method is used to estimate variable consideration to predict the amount of the consideration that the Group will be entitled to. When the aforementioned method for estimating variable consideration is included in the transaction price, the scope is limited to the accumulated amount of the revenue recognized which is likely to not be significantly reversed in the subsequent period elimination when the uncertainty associated with the contracts are eliminated. The aforementioned method for estimating variable consideration was not applied by the Group before January 1, 2018.

(E) Costs to fulfil a contract

Before January 1, 2018, the Group did not recognize the incremental costs of obtaining a contract that was expected to recover the costs as an asset. Starting from January 1, 2018, fulfillment costs should be capitalized if all the following criteria are met:

(a) costs relate directly to a contract (e.g., costs relating to services to be provided);
(b) costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
(c) costs are expected to be recovered.

(F) Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS.

(2) *IFRS 9"Financial Instruments"*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

(A) The Group adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

(B) In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications of financial assets and its carrying amounts as at January 1, 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through other comprehensive income		Fair value through other comprehensive income (Equity Instrument)	$291,977
Available-for-sale financial assets (including $186,703 measured at cost)	$291,977		
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, current, refundable deposits, and other financial assets, noncurrent)	405,243
Loans and receivables (including cash and cash equivalents, notes receivables, accounts receivables, other receivables, other financial assets, current, refundable deposits, and other financial assets, noncurrent)	405,243		
Total	$697,220	Total	$697,220

(C) The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at January 1, 2018 are as follow:

IAS 39		IFRS 9			Retained earnings	Other components of equity
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Adjustment	Adjustment
Available-for-sale financial assets (including investments measured at cost, reported as a separate line item) (Note 1)	$291,977	Measured at fair value through other comprehensive income (equity instruments)	$291,977	$-	$39,222	$(39,222)
Subtotal	291,977					
Loans and receivables (Note 2)						
Cash and cash equivalents	254,850	Cash and cash equivalents	254,850	-	-	-
Notes receivable	1,324	Notes receivable	1,324	-	-	-
Accounts receivable	106,465	Accounts receivable	106,465	-	-	-
Other receivables	3,172	Other receivables	3,172	-	-	-
Other financial assets, current	10,663	Other financial assets, current	10,663	-	-	-
Refundable deposits	12,019	Refundable deposits	12,019	-	-	-
Other financial assets, noncurrent	16,750	Other financial assets, noncurrent	16,750	-	-	-
Subtotal	405,243	Subtotal	405,243			
Total	$697,220	Total	$697,220		$39,222	$(39,222)

Notes:

(1) In accordance with of IAS 39, the Group's available-for-sale financial assets included investments in funds, stocks and bonds of listed companies and stocks of unlisted companies. Adjustment details are described as follow:

Stocks (including listed and unlisted companies)

The Group assessed the facts and circumstances existed as at January 1, 2018, and determined these stocks were not held-for-trading; therefore, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. As at January 1, 2018, the Group reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income of NT$291,977 thousand. Other related adjustments are described as follow:

(A) The stocks of unlisted companies previously measured at cost in accordance with IAS 39 had an original cost NT$186,703 thousand, NT$39,222 thousand of which was fully impaired. However, in accordance with IFRS 9, stocks of unlisted companies must be measured at fair value and shall not recognize impairment. The fair value of the stocks of unlisted companies was NT$186,703 thousand as at January 1, 2018. Accordingly, the Group adjusted the carrying amount of financial assets measured at fair value through other comprehensive income of NT$186,703 thousand and also adjusted the retained earnings and other equity by NT$39,222 thousand and NT$39,222 thousand, respectively.

(B) As at January 1, 2018, the Group reclassified the stocks of listed companies of NT$105,274 thousand measured at fair value from available-for-sale financial assets to financial assets measured at fair value through other comprehensive income. This adjustment did not result any differences in the carrying amounts of assets, but reclassified within equity accounts.

(2) In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arised from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018.

(D) Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

(3) IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 "The Effects of Changes in Foreign Exchange Rates", in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The Group originally recorded their foreign currency sales transactions based on the exchange rate on the date of revenue recognition and converted into its functional currency. The exchange difference was recognized when the foreign currency advance payment was written off. The Group elected to apply this interpretation prospectively on January 1, 2018. This change in accounting principle did not significantly impact the Group's recognition and measurement.

(4) *Disclosure Initiative – Amendment to IAS 7 "Statement of Cash Flows":*

The Group required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12 for more details.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
(A)	IFRS 16 "Leases"	January 1, 2019
(B)	IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019
(C)	IAS 28 "Investment in Associates and Joint Ventures" – Amendments to IAS 28	January 1, 2019
(D)	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
(E)	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
(F)	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

(A) *IFRS 16"Leases"*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(B) IFRIC 23 "*Uncertainty Over Income Tax Treatments*"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

(C) *IAS 28"Investment in Associates and Joint Ventures" – Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(D) *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(E) *Improvements to International Financial Reporting Standards (2015-2017 cycle):*

IFRS 3 "Business Combinations"

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 "Joint Arrangements"

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 "Income Taxes"

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 "Borrowing Costs"

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(F) *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. Apart from item (a), the remaining standards and interpretations have no material impact on the Company:

IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

(A) For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019 and; the Group chooses an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

The Group expects the right-of-use asset will increase by NT$75,115 thousand and the lease liability will increase by NT$75,115 thousand on January 1, 2019.

(B) The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group’s financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
(A)	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” － Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
(B)	IFRS 17 “Insurance Contracts”	January 1, 2021
(C)	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
(D)	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

(A) IFRS 10"*Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures*" *– Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(B) IFRS 17 "*Insurance Contracts*"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a Group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(a) estimates of future cash flows;
(b) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(c) a risk adjustment for non-financial risk.

The carrying amount of a Group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(C) *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(D) *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group determined the potential impact of the standards and interpretations, it has no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(A) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(B) exposure, or rights, to variable returns from its involvement with the investee, and
(C) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(A) the contractual arrangement with the other vote holders of the investee
(B) rights arising from other contractual arrangements
(C) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

(A) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(B) derecognizes the carrying amount of any non-controlling interest;
(C) recognizes the fair value of the consideration received;
(D) recognizes the fair value of any investment retained;
(E) recognizes any surplus or deficit in profit or loss; and
(F) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of ownership (%)		
Investor	Subsidiary	Main businesses	December 31, 2018	December 31, 2017	Note
The Company	SOFTSTAR INTERNATIONAL INC. (SII)	Investment holdings	100	100	
The Company	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Software wholesale and software services	100	100	
The Company	Softstar Agency Co., Ltd.	Online video and show production	100	100	
The Company	Marsware Entertainment Inc.	Network software development and technical services, etc.	100	100	
The Company	Fairy Palm Inc.	Software publishing and software services, etc.	51	51	
The Company	SOFTSTAR CREATIVE INC.	Software wholesale and software services	100	100	Note 1
The Company	Kobe Co., Ltd.	Investment holdings	100	100	
The Company	Gamebase Digital Media Corporation	Software services and information processing services, etc.	86.67	80	Note 2

			Percentage of ownership (%)		
Investor	Subsidiary	Main businesses	December 31, 2018	December 31, 2017	Note
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Perfecten Corporation	Network software development and technical services, etc.	100	100	
Perfecten Corporation	PERFECT TEN INTERNATIONAL LIMITED	Network software development and technical services, etc.	-	100	Note 3
SOFTSTAR INTERNATIONAL INC. (SII)	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Information processing services	100	100	
SOFTSTAR INTERNATIONAL INC. (SII)	MAURITIUS WEBSTAR INC. (MWI)	Investment holdings	100	100	
SOFTSTAR INTERNATIONAL INC. (SII)	SOFTSTAR GLOBAL INC. (SGI)	Investment holdings	100	100	
SOFTSTAR INTERNATIONAL INC. (SII)	SOFTSTAR ANIMATION LIMITED (SAL)	Investment holdings	100	100	
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Information processing services	100	100	
SOFTSTAR GLOBAL INC. (SGI))	SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	Computer hardware and network technology research and development	100	100	
SOFTSTAR GLOBAL INC. (SGI))	JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD.	Network software development and technical services, etc.	100	100	

Note 1: WECOOL GAME CO., LTD. changed its name to SOFTSTAR CREATIVE INC. in 2018.

Note 2: On December 14, 2017, the Company purchased 80% of Gamebase Digital Media Corporation’s shares from CITE PUBLISHING LTD. for operational strategy purposes. In addition, in August 2018, Gamebase Digital Media Corporation increased capital by cash for NT$10,000, a total of 1,000 thousand shares, all of which were subscribed by the Company and the registration process is completed. The shareholding ratio of the company increased from 80% to 86.67%.

Note 3: On March 22, 2018, in order to integrate the Group's resources, the Company settled the repatriation of Perfecten Corporation’s share capital, and completed the liquidation procedure on August 10, 2018.

(4) Foreign currency transactions

The Group’s consolidated financial statements are presented in NT$, which is also the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(A) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(B) Foreign currency items within the scope of IFRS 9 *Financial Instruments* (Before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are accounted for based on the accounting policy for financial instruments.
(C) Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

(A) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(B) The Group holds the asset primarily for the purpose of trading.
(C) The Group expects to realize the asset within twelve months after the reporting period.
(D) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(A) The Group expects to settle the liability in its normal operating cycle.
(B) The Group holds the liability primarily for the purpose of trading.
(C) The liability is due to be settled within twelve months after the reporting period.
(D) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within one month) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 9 *Financial Instruments: Financial Instruments* (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(A) Financial instruments: Recognition and Measurement

The accounting policy from January 1, 2018 as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) the Group's business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
    a. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
    b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before January 1, 2018 as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. A financial asset is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(B) Impairment of financial assets

The accounting policy from January 1, 2018 as follow:

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before January 1, 2018 as follow:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

(a) significant financial difficulty of the issuer or obligor; or
(b) a breach of contract, such as a default or delinquency in interest or principal payments; or
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(d) the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(C) Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(D) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*).

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(b) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(E) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(A) In the principal market for the asset or liability, or
(B) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

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

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

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

(10) Inventories

Inventories are valued at lower of cost and net realizable value. Cost is calculated by the weighted average method. Cost of finished goods and work in progress include direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. When comparing cost and the net realizable value item by item, the net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a proratabasis.

When the associate or joint venture issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a proratabasis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 39 Financial Instruments: Recognition and Measurement. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

(A) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(B) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Machinery and equipment	3~5 years
Office equipment	1~5 years
Leasehold improvements	3~6 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Leases

Group as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Trademark and licences

Trademark and licences acquired separately are measured on initial recognition at cost. Trademark and licences are intangible assets with finite useful lives and are amortized over three to twenty years.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

Goodwill

Goodwill is acquired through business combinations. They are intangible assets considered to have indefinite useful lives, and therefore are not amortized, and are regularly tested for impairment.

A summary of the policies applied to the Group's intangible assets is as follows:

	Trademark	Licences	Computer software	Goodwill
Useful lives	Finite	Finite	Finite	Indefinite
Amortization method used	Amortized on a straight-line basis over the period of the trademark	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	No amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

If the obligation occurs over a period of time, the levy payment liability is gradually recognized.

Sales returns and allowances

A provision has been recognized for sales returns and allowances based on past experience and other known factors.

(17) Treasury stocks

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(18) Revenue recognition

The accounting policy from January 1, 2018 as follow:

The Group's revenue arising from contracts are primarily related to royalties. Licensing content includes licensing its solely developed intellectual property (IP) to others that grant use in game development, game operations and film content and online game operation services. The accounting policies are explained as follow:

Sale of goods

The group manufactures and sells products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Group are game software and related peripherals and revenue is recognized based on the consideration stated in the contract.

The credit period of the Group's sale of goods is from 30 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

(A) The Group provides services related to game licensing. The Group identifies performance obligations and determines whether the licensing nature provides a customer with a right to access the Group's IP over time or with a right to use the Group's IP at a point in time. Based on experience, the Group uses the expected value method to estimate variable consideration. The scope is limited to the accumulated amount of the revenue recognized which is likely to not be signigicantly reversed in the subsequent period, when the uncertainty associated with the contracts are eliminated. For some contracts, if the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently and should be recognized as contract liabilities.

(B) The Group provides services related to online games. The Group main purpose of selling online game time points is to provide services, therefore sales amount from online game time points is recognized as a contract liabilities and revenue is recognized based on actual usage.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arised.

(C) The Group provides services related to the operation of online games. Players recharge their game credits and can use the credits to buy virtual items. The Group recognizes the proceeds received from the sales of game points as contract liabilities. 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 by virtual items.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arised.

Costs to fulfil a contract

The Group determines fulfillment costs should be capitalized if all the following criteria are met:

(A) costs relate directly to a contract or to an anticipated contract the entity can specifically identify (e.g., costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract not yet approved);
(B) costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
(C) costs are expected to be recovered.

The accounting policy after January 1, 2018 as follow:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

The Group manufactures and sells game software related products. Revenue is the net fair value of the consideration received or receivable less value added tax, sales return, volume discount, and allowances for sales of goods to customers during normal business activities, and volume discount and allowance. Revenue is recognized when the products are delivered to the buyer, when the sales amount can be reliably measured, and when future economic benefits are likely to be recognized when they flow into the company. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, the Group has neither continuing managerial involvement nor effective control over the goods sold have been retained and when the customer accepts the goods according to the contract, or when there is objective evidence that all acceptance terms have been met.

The Group provides volume discounts and returns for defective products. The Group recognizes a provision for sales returns and allowances based on past experience and other known factors for sales.

Rendering of services

(A) The Group provides services related to licensing and recognizes revenue if all the following criteria are met:

   (a) The amount of the royalty is fixed or non-refundable;
   (b) the contract cannot be cancelled;
   (c) the authorized party is free to dispose of the relevant rights;
   (d) the authorized party is not required to perform other obligations after the delivery of the rights.

   If the license agreement does not meet the above conditions simultaneously, royalty income in recognized in a reasonable and systematic manner over the period of time.

(B) The Group provides services related to online games. The Group’s main purpose of selling online game time points is to provide services, therefore revenue from online game point points is initially deferred and recognized based on actual usage.

(C) The Group provides services related to the operation of online games. Players recharge their game credits and can use the credits to by virtual items. The Group recognizes the proceeds received 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 by virtual items.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(19) Borrowing Costs

Borrowing costs in line with the requirements which are directly attributable to the acquisition, construction or production of assets may be capitalized as part of the cost of the asset. All other borrowing costs are recognized as expenses incurred during the period. The borrowing costs include interest and other costs incurred in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(A) the date of the plan amendment or curtailment, and
(B) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(22) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(A) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
(B) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(A) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
(B) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(23) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Revenue recognition – royalties

Starting from January 1, 2018:

In accordance with IRFS 15, the Group identifies performance obligations and determine whether the licensing nature provides a customer with a right to access the Group's IP over time or with a right to use the Group's IP at a point in time and recognizes royalty revenue when performance obligations have been satisfied.

Before January 1, 2018:

The Group provides services related to licensing and recognizes revenue if all the following criteria are met:

(A) The amount of the royalty is fixed or non-refundable;
(B) the contract cannot be cancelled;
(C) the authorized party is free to dispose of the relevant rights;
(D) the authorized party is not required to perform other obligations after the delivery of the rights.

If the license agreement does not meet the above conditions simultaneously, royalty income in recognized in a reasonable and systematic manner over the period of time.

(2) Estimating variable consideration

Starting from January 1, 2018:

Implied by the Group's business practices, the Group determines that it expects to provide a price concession. This price concession will depend on the situation of the industry at the time and the customer. The expected value method is used to estimate variable consideration to predict the amount of the consideration that the Group will be entitled to. When the aforementioned method for estimating variable consideration is included in the transaction price, the scope is limited to the accumulated amount of the revenue recognized which is likely to not be significantly reversed in the subsequent period elimination when the uncertainty associated with the contracts are eliminated. The aforementioned method for estimating variable consideration was not applied by the Group before January 1, 2018.

Before January 1, 2018:

The aforementioned method for estimating variable consideration was not applied by the Group before January 1, 2018.

(3) Accounts receivables–estimation of impairment loss

Starting from January 1, 2018:

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before January 1, 2018:

The Group considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2018	2017
Cash on hand & petty cash	$532	$440
Checking and saving accounts	179,878	217,875
Time deposits	-	36,975
Total	$180,410	$255,290

(2) Accounts receivable and Accounts receivable-related parties

	As of December 31,	
	2018	2017
Accounts receivable	$113,694	$106,385
Less: allowance for sales returns and discounts	(566)	(664)
Loss allowance	(1,089)	(941)
Subtotal	112,039	104,780
Accounts receivable from related parties	5,304	1,685
Less: loss allowance	-	-
Subtotal	5,304	1,685
Total	$117,343	$106,465

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 (19) for more details on impairment of trade receivables. The Group adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of accounts receivable and accounts receivable from related parties are as follows: (Please refer to Note 12 for more details on credit risk management.)

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	$-	$715	$715
Charge (reversal) for the current period	-	226	226
As of December 31, 2017	$-	$941	$941

There was no impairment loss arising from the individual assessment of accounts receivable for the year ended December 31, 2017.

Aging analysis of accounts receivable and accounts receivable from related partiesthat are past due as of the end of the reporting period but not impaired is as follows:

As of	Neither past due nor impaired	Past due but not impaired				Total
		<=30 days	31-120 days	121-365 days	>=365 days	
December 31, 2017	$85,001	$5,624	$5,248	$10,592	$-	$106,465

(3) Inventories, net

	As of December 31,	
	2018	2017
Work in progress	$7	$11
Finished goods	1,810	3,366
Total	$1,817	$3,377

The cost of inventories recognized in expenses amounted to NT$3,172 thousand and NT$4,972 thousand for the year ended December 31, 2018 and 2017, respectively, including the write-down of inventories of NT$1,601 thousand and NT$0 thousand, respectively.

No inventories were pledged.

(4) Prepayment

	As of December 31,	
	2018	2017
Prepaid outsourcing expense	$121,809	$96,942
Prepaid rent	2,307	2,052
Other prepayments	16,521	14,119
Total	$140,637	$113,113

(5) Financial assets at fair value through other comprehensive income, noncurrent

	As of December 31,	
	2018	2017 (Note 1)
Equity instrument investments measured at fair value through other comprehensive income, noncurrent:		
Listed companies stocks		
NEWRETAIL CO., LTD.	$36,502	
Emerging stocks		
SNSPLUS, INC.	5,484	
Private companies stocks		
AUER MEDIA & ENTERTAINMENT CORP.	137,247	
TAIWAN SMART CARD CO.	5,480	
DOUBLE EDGE ENTERTAINMENT CORP. (NOTE 2)	4,793	
FUNFIA INC.	-	
Total	$189,506	

Note 1: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

Note 2: On April 25, 2018 the board of directors of DOUBLE EDGE ENTERTAINMENT CORP. resolved a capital reduction through by cash. The Group recovered the return of NT$14,380 thousand from capital reduction.

Financial assets at fair value through other comprehensive income were not pledged.

(6) Available-for-sale financial assets

	As of December 31,	
	2018 (Note)	2017
SNSPLUS, INC.		$29,282
NEWRETAIL CO., LTD.		98,218
Valuation adjustment		(22,226)
Total		$105,274

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

In June 2017, the board of directors for the Group approved the investment of 5,001,000 shares of NEWRETAIL CO., LTD. through subsidiary, Kobe Co., Ltd. The investment is approximately NT$98,218 thousand through a private placement of NEWRETAIL CO., LTD. The shareholding ratio is 4.24%.

Available-for-sale financial assets were not pledged.

(7) Financial assets measured at cost

	As of December 31,	
	2018 (Note)	2017
AUER MEDIA & ENTERTAINMENT CORP.		$175,233
TAIWAN SMART CARD CO.		25,519
DOUBLE EDGE ENTERTAINMENT CORP.		19,173
FUNFIA INC.		6,000
Subtotal		225,925
Less: loss allowance		(39,222)
Total		$186,703

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before January 1, 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

Financial assets measured at cost were not pledged.

(8) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

	As of December 31,			
	2018		2017	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD. (BEIJING SQUARE ENIX) (Note 1)	$-	-	$-	-
JP Soft L.L.C (JP Soft)(Note 2)	-	-	-	21.66%
Chia-e International Inc.	10,729	28.21%	13,353	28.21%
A.R.T. Games Co., Ltd.	5,799	49%	3,044	49%
	$16,528		$16,397	

Note 1: BEIJING SQUARE ENIX was liquidated in March 2017. The company is in the process of registration process. The company's subsidiary, MWI, received the liquidation allocation of NT$75,401 thousand in April 2017 and recognized losses on disposal of investment of NT$4,855 thousand.

Note 2: JP Soft L.L.C (JP Soft) was liquidated in March 2018.

In March 2017, the Group subscribed for the capital increase of 242,000 shares of Chia-e International Inc., totaling approximately NT$12,221 thousand, recognized as financial assets measured at cost and purchased 154,040 shares for approximately NT$7,779 thousand in June 2017. In June 2017, Chia-e International Inc. converted additional paid-in capital to common stock, resulting in an increase of 417,658 shares. The total investment of the aforementioned in Chia-e International Inc. is 813,698 shares, totaling approximately NT$20,000 thousand, with a shareholding ratio of 28.21%, and is recognized as investments accounted for using the equity method.

The Company subscribed for the capital increase in May 2017 of 245,000 shares of A.R.T. Games Co., Ltd., totaling NT$2,450 thousand and 490,000 shares, totaling NT$4,900, with a shareholding ratio of 49%, respectively.

In June 2018 and November 2018, the Company subscribed for the capital increase of 490,000 shares of A.R.T. Games Co., Ltd., totaling approximately NT$4,900 thousand, with a shareholding ratio of 49%.

The Group's investments in Chia-e International Inc. and A.R.T. Games Co., Ltd. are not individually material. The aggregate carrying amount of the Group's interests in Chia-e International Inc. and A.R.T. Games Co., Ltd. is NT$16,528 thousand and NT$16,397 thousand, as of December 31,2018 and 2017, respectively. The aggregate financial information of the Group's investments in Chia-e International Inc. and A.R.T. Games Co., Ltd. is as follows:

	For the years ended December, 31	
	2018	2017
Profit or loss from continuing operations	$(7,218)	$(8,503)
Other comprehensive income (post-tax)	-	-
Total comprehensive loss	$(7,218)	$(8,503)

The associates had no contingent liabilities or capital commitments as at December 31, 2018 and 2017. No investments accounted for using the equity method were pledged.

(9) Property, plant and equipment

	Machinery and equipment	Office equipment	Leasehold improvements	Total
Cost:				
As of January 1, 2018	$16,782	$24,230	$28,180	$69,192
Additions	4,533	1,791	288	6,612
Disposals	(2,066)	(9,645)	(6,956)	(18,667)
Transfers	(877)	877	-	-
Exchange differences	(135)	(19)	(84)	(238)
As of December 31, 2018	$18,237	$17,234	$21,428	$56,899
As of January 1, 2017	$14,379	$14,881	$24,091	$53,351
Additions	4,276	2,418	4,126	10,820
Acquisitions through business combinations	-	8,573	-	8,573
Disposals	(511)	(1,607)	-	(2,118)
Transfers	(64)	64	-	-
Exchange differences	(38)	(8)	(37)	(83)
Disposal of subsidiaries	(1,260)	(91)	-	(1,351)
As of December 31, 2017	$16,782	$24,230	$28,180	$69,192
Depreciation and impairment:				
As of January 1, 2018	$7,987	$16,496	$11,613	$36,096
Additions	3,295	3,175	7,209	13,679
Disposals	(739)	(8,420)	(6,956)	(16,115)
Transfers	(812)	812	-	-
Exchange differences	(92)	(15)	(77)	(184)
As of December 31, 2018	$9,639	$12,048	$11,789	$33,476
As of January 1, 2017	$6,294	$6,783	$8,352	$21,429
Additions	3,044	2,780	3,296	9,120
Acquisitions through business combinations	-	7,728	-	7,728
Disposals	(267)	(1,529)	-	(1,796)
Transfers	(753)	753	-	-
Exchange differences	(8)	(4)	(35)	(47)
Disposal of subsidiaries	(321)	(16)	-	(338)
As of December 31, 2017	$7,987	$16,496	$11,613	$36,096
Net carrying amount as of:				
December 31, 2018	$8,598	$5,186	$9,639	$23,423
December 31, 2017	$8,794	$7,735	$16,567	$33,096

Property, plant and equipment were not pledged.

(10) Intangible assets

	Trademarks	Computer software	Game Royalty	Goodwill	Total
Cost:					
As of January 1, 2018	$6,870	$48,102	$17,540	$2,712	$75,224
Addition-acquired separately	-	5,772	933	-	6,705
Deduction-disposals	-	(774)	-	-	(774)
Deduction-derecognized	-	(10,116)	-	-	(10,116)
Exchange differences	-	(169)	-	-	(169)
As of December 31, 2018	$6,870	$42,815	$18,473	$2,712	$70,870
As of January 1, 2017	$6,586	$37,408	$57,739	$-	$101,733
Addition-acquired separately	284	11,682	-	-	11,966
Acquisitions through business combinations	-	-	-	2,712	2,712
Exchange differences	-	(77)	-	-	(77)
Disposals	-	-	(40,199)	-	(40,199)
Disposal of subsidiaries	-	(911)	-	-	(911)
As of December 31, 2017	$6,870	$48,102	$17,540	$2,712	$75,224
Amortization and impairment:					
As of January 1, 2018	$5,224	$33,891	$17,540	$-	$56,655
Amortization	1,646	9,916	570	-	12,132
Impairment losses	-	-	363	-	363
Deduction-disposals	-	(593)	-	-	(593)
Deduction-derecognized	-	(10,116)	-	-	(10,116)
Exchange differences	-	(157)	-	-	(157)
As of December 31, 2018	$6,870	$32,941	$18,473	$-	$58,284
As of January 1, 2017	$4,727	$29,009	$57,739	$-	$91,475
Amortization	497	5,443	-	-	5,940
Exchange differences	-	(45)	-	-	(45)
Disposals	-	-	(40,199)	-	(40,199)
Disposal of subsidiaries	-	(516)	-	-	(516)
As of December 31, 2017	$5,224	$33,891	$17,540	$-	$56,655
Net carrying amount as of:					
December 31, 2018	$-	$9,874	$-	$2,712	$12,586
December 31, 2017	$1,646	$14,211	$-	$2,712	$18,569

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December, 31	
	2018	2017
Operating costs	$-	$-
Operating expenses	$12,132	$5,940

(11) Short-term borrowings

		As of December 31,	
	Interest Rate (%)	2018	2017
Unsecured bank loans	2.30%	$30,000	$-
Secured bank loans	5.44%-5.66%	32,425	-
Total		$62,425	$-

The Group's unused short-term lines of credits amount to $105,732 thousand and $30,000 thousand as of December 31, 2018 and 2017, respectively.

Please refer to Note 8 for more details on saving accounts pledged as security for short-term borrowings.

(12) Other payables

	As of December 31,	
	2018	2017
Salary payable	$56,770	$56,292
Professional service fees payable	2,460	4,379
Insurance payable	1,936	3,457
Advertising payable	8	261
Other accrued expenses payable	25,984	10,571
Total	$87,158	$74,960

(13) Other current liabilities

	As of December 31,	
	2018	2017
Advance royalty (Note 1)	(Note 4)	$165,748
Deferred revenue (Note 2)	(Note 4)	23,015
Other (Note 3)	$48,848	1,412
Total	$48,848	$190,175

Note 1: Advance royalty is mainly from game licensing and royalty revenue is allocated over a reasonable allocation period.

Note 2: Deferred revenue relates to virtual items and game point card revenue. Virtual items revenue is allocated in accordance with the expected lifetimes of the virtual items.

Note 3: NT$47,606 relates to CMGE security deposits for SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. capital increase. Please refer to Note 9.2 for more details.

Note 4: The Group adopted IFRS 15 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 15.

(14) Long-term borrowings

Details of long-term loans are as follows:

Lenders	As of December 31, 2018	Interest Rate (%)	Maturity date and terms of repayment
Hua Nan Bank credit loan	$1,250	2.5%	Repayable monthly from February 20, 2017 to February 20, 2019. Interest paid monthly.
Taiwan Business Bank credit loan	13,000	2.2%	Repayable quarterly from March 16, 2017 to March 16, 2022. Interest paid monthly.
Chang Hwa Bank credit loan	10,000	2.26%	Repayable quarterly from April 13, 2017 to April 13, 2020. Interest paid monthly.
Taiwan Cooperative Bank credit loan	12,019	2.28%	Repayable monthly from May 25, 2017 to May 25, 2020. Interest paid monthly.
Taiwan Business Bank credit loan	28,333	2.2%	Repayable monthly from October 23, 2018 to October 23, 2021. Interest paid monthly.
Bank of Kaohsiung credit loan	20,000	2.2%	Repayable monthly from December 19, 2018 to December 19, 2021. Interest paid monthly.
Subtotal	84,602		
Less: current portion	(36,881)		
Total	$47,721		

Lenders	As of December 31, 2017	Interest Rate (%)	Maturity date and terms of repayment
Hua Nan Bank credit loan	$8,750	2.5%	Repayable monthly from February 20, 2017 to February 20, 2019. Interest paid monthly.
Taiwan Business Bank credit loan	17,000	2.2%	Repayable quarterly from March 16, 2017 to March 16, 2022. Interest paid monthly.
Chang Hwa Bank credit loan	16,666	2.26%	Repayable quarterly from April 13, 2017 to April 13, 2020. Interest paid monthly.
Taiwan Cooperative Bank credit loan	20,272	2.28%	Repayable monthly from May 25, 2017 to May 25, 2020. Interest paid monthly.
Subtotal	62,688		
Less: current portion	(26,420)		
Total	$36,268		

Please refer to Note 8 for more details on pledged long-term borrowings.

(15) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, and the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employee’s monthly wages to the employees’ individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee’s salaries or wages to employees’ pension accounts.

Subsidiaries located in the People’s Republic of China will contribute social welfare benefits based on a certain percentage of employees’ salaries or wages to the employees’ individual pension accounts. For the years ended December 31, 2018 and 2017, the percentage was 20%~22%. The social welfare benefit for each employee is arranged by the government. The Group has no further obligations except for monthly contributions.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 are NT$29,982 thousand and NT$19,521 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor standards Act, The Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March in the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the regulations for revenues, expenditures, safeguard and utilization of the labor retirement fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$589 thousand to its defined benefit plan during the 12 months after December 31, 2018.

The average-weighted duration of the defined benefits plan obligation as at December 31, 2018 and 2017, are 13 years and 14 years.

Pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017:

	For the years ended December 31,	
	2018	2017
Current period service costs	$361	$644
Interest income or expense	223	261
Total	$584	$905

Reconciliation of present value of the pension obligation under defined benefit pension plans and fair value of the plan assets are as follows:

	As of		
	December 31, 2018	December 31, 2017	January 1, 2017
Present value of the pension obligation under defined benefit pension plans	$38,906	$36,312	$45,381
Fair value of plan assets	(17,678)	(17,727)	(27,950)
Net defined benefit liabilities, noncurrent	$21,228	$18,585	$17,431

Reconciliation of liability (asset) of the defined benefit plan are as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2017	$45,381	$(27,950)	$17,431
Current period service costs	644	-	644
Net interest expense (income)	680	(419)	261
Subtotal	1,324	(419)	905
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	1,409	-	1,409
Experience adjustments	(748)	111	(637)
Subtotal	661	111	772
Payments from the plan	(11,054)	11,054	-
Contributions by employer	-	(523)	(523)
As of December 31, 2017	36,312	(17,727)	18,585
Current period service costs	361	-	361
Net interest expense (income)	436	(213)	223
Subtotal	797	(213)	584
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	957	-	957
Experience adjustments	2,366	(738)	1,628
Subtotal	3,323	(738)	2,585
Payments from the plan	(1,526)	1,526	-
Contributions by employer	-	(526)	(526)
As of December 31, 2018	$38,906	$(17,678)	$21,228

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2018	2017
Discount rate	1.00%	1.20%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as of December 31, 2018 and 2017 is, as shown below:

	2018		2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$-	$(1,191)	$-	$(1,178)
Discount rate decrease by 0.25%	1,237	-	1,226	-
Future salary increase by 0.25%	1,124	-	1,121	-
Future salary decrease by 0.25%	-	$(1,090)	-	(1,086)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(16) Equities

(A) Common stock

The Company’s authorized capital was NT$1,000,000 thousand and issued capital was NT$477,945 thousand and NT$478,313 as at December 31, 2018 and 2017, respectively, each at a par value of NT$10. Each share has one voting right and a right to receive dividends.

On April 30, 2015, the shareholders' meeting of the Company approved the issuance no more than 10,000 thousand shares of common stock through private placement issuance. The subscription price of the private placement common stock was NT$84.61 per share, totaling 2,000 thousand shares. The private placement date was March 25, 2016. The capital increase by cash is for the purpose of enriching working capital and repaying bank loans. The Company received NT$169,220 thousand through private placement issuance and has completed registration for change. Apart from the fact that private placement common stock are subject to the Securities and Exchange Act’s restrictions of transfer and must reapply for public offering after three years for public transaction, the remaining rights and obligations are the same as other issued common stock.

On April 30, 2015, the shareholders' meeting of the Company resolved to issue 600 thousand shares of restricted employee stock and the grant price is 0. The rights and obligations of the issuance of ordinary shares are the same as those of other issued ordinary shares, except for the transfer rights in which employees must first reach the vested conditions. The new share issuance has been declared effective by the Financial Supervisory Commission on July 28, 2015.

On August 4, 2017, in order to maintain the Company's credit and shareholders' rights and interests, the Company’s board of directors approved to repurchase the Company’s common stock in the open market, and on November 10, 2017, in accordance with the Company Act, the Company cancelled 322 common shares of treasury stock, totaling NT$25,736 thousand. The Company’s registration for change has been completed.

On June 29, 2018, the shareholders' meeting of the Company approved the issuance of common stock through private placement issuance. The total number of shares issued by private placement issuance is no more than 10 million shares, and the par value of each share is NT$10. It is expected to be issued three times within one year from the Annual Meeting of Shareholders date of resolution.

On November 1, 2018, the provisional shareholders' meeting of the Company approved the issuance of an additional 1,500 thousand shares of restricted employee stock and the grant price is 0. The rights and obligations of the issuance of ordinary shares are the same as those of other issued ordinary shares, except for the transfer rights in which employees must first reach the vested conditions. The new share issuance has been declared effective by the Financial Supervisory Commission on November 21, 2018.

For the years ended December 31, 2018 and 2017, the Company redeemed and cancelled 37 thousand shares and 40 thousand shares of issued restricted stocks for employees, respectively.

(B) Capital surplus

	As of December	
	2018	2017
Additional Paid-in Capital	$20,492	$12,954
Increase (decrease) through changes in ownership interests in subsidiaries	1,205	2,532
Restricted employee stock	157,500	9,688
Total	$179,197	$25,174

According to the Company Act, the capital reserve shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the pay value of capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(C) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Payment of all taxes and dues;
(b) Offset prior years' operation losses;
(c) Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
(d) Set aside or reverse special reserve in accordance with law and regulations; and
(e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The company's dividend distribution adopts conservatism principle, and stock dividend as priority. If there is a surplus, it will be distributed to shareholders as cash dividends, but the ratio of cash dividend distribution is not higher than 50% of the total dividend distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

In accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865 and「Applicable question and answer for the provision of special reserves after the adoption of International Financial Reporting Standards (IFRSs)」, the Group makes provisions and reverses special reserves.

The general shareholders' meeting approved the earnings distribution on June 22, 2017, reducing additional paid-in capital by NT$136,074 thousand. After the compensation, retained earnings was amounted to NT$0.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved by the board of director's and shareholder's meeting on March 19, 2019 and June 29, 2018, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2018	2017	2018	2017
Legal reserve	$12,657	$1,824	$-	$-
Special reserve	113,909	15,648	-	-

Please refer to Note 6(21) for details on employees' compensation and remuneration to directors and supervisors.

(D) Non-controlling interests

	For the years ended December 31,	
	2018	2017
Beginning balance	$1,185	$357
Loss attributable to non-controlling interests	(2,396)	(8,716)
Acquisition of issued shares in a subsidiary	-	18,070
Disposal of a subsidiary	-	(8,526)
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	1,327	-
Ending balance	$116	$1,185

(17) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(A) The Group issued restricted employee stock in 2015. The share-based payment agreement is as follows:

Type of grant	Date of grant	Total numbers of options granted (unit)	Contract period	Vesting Conditions
Restricted employee stock plan (Note 1)	August 11, 2015	600,000	3 years	Achievement of performance conditions (Note 2)

Note 1: The restricted employee stock issued by the Group are not transferable during the period, but they do not restrict voting rights and included in the distribution of dividends. Employees who leave during the vested period are required to return the shares but the dividends obtained is not required to return.

Note 2: Once employees are entitled to the restricted employee stock, if the three years and individual performance is in line target performance set by the company, the cumulative maximum share vested is 40%, 30% and 30% through one to three years.

The following table contains further detail on the aforementioned share-based payment plan:

	For the years ended December 31,	
	2018	2017
Number of restricted employee stock (in thousands)		
Outstanding at beginning of year	546	586
Granted	-	-
Expired	(37)	(40)
Outstanding at end of year	509	546

For the years ended December 31, 2018 and 2017, the Company redeemed and cancelled 37 thousand shares and 40 thousand shares of issued restricted stocks for employees, respectively, without compensation in accordance with the issuance regulations. The capital reserve of NT$2,150 thousand and NT$2,361 thousand that arose was also reversed.

(B) The Group applied for an additional issuance of restricted employee stock in 2018 to be issued in 2019. The share-based payment agreement is as follows:

Type of grant	Date of grant	Total numbers of options granted (unit)	Contract period	Vesting Conditions
Restricted employee stock plan (Note 1)	December 5, 2018	1,5000,000	28 months	Achievement of performance conditions (Note 2)

Note 1: The restricted employee stock issued by the Group are not transferable during the period, but they do not restrict voting rights and included in the distribution of dividends. Employees who leave during the vested period are required to return the shares without the need to return the dividends obtained.

Note 2: Once employees are entitled to the restricted employee stock, if they are with the Group for four, sixteen, and twenty-eight months and individual performance is in line target performance set by the company, the cumulative maximum share vested is 40%, 30% and 30%.

(C) The expenses recognized for employee services received for the years ended December 31, 2018 and 2017, are shown in the following table:

	For the years ended December 31,	
	2018	2017
Total expense arising from equity-settled share-based payment transactions	$-	$7,686

(18) Operating revenue

	For the years ended December 31,	
	2018 (Note)	2017
Revenue from contracts with customers		
Sale of goods revenue	$20,770	$16,870
Rendering of service revenue	827,422	755,040
Other operating revenue	7,546	18,644
Less: sales returns and allowances	-	(1,426)
Total	$855,738	$789,128

Note: The Group has adopted IFRS 15 from January 1, 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application.

The Group has adopted IFRS 15 from January 1, 2018. Analysis of revenue from contracts with customers during the year is as follows:

(A) Disaggregation of revenue

For the year ended December 31, 2018

	Operating Department	Research and Development Department	Total
Sale of goods	$(2,528)	$23,298	$20,770
Rendering of services	119,628	715,340	834,968
Total	$117,100	$738,638	$855,738
Timing of revenue recognition:			
At a point in time	$(1,217)	$288,628	$287,411
Over time	118,317	450,010	568,327
Total	$117,100	$738,638	$855,738

(B) Contract balances

Net contract assets (liabilities) are as follows:

	Ending balance	Beginning balance	Difference	%
Contract assets, current	$112,692	$6,737	$105,955	1473%
Contract assets, noncurrent	101,286	11,964	89,322	647%
Contract liabilities, current	(91,483)	(166,379)	74,896	45%
Contract liabilities, noncurrent	(115,967)	(50,525)	(65,442)	(130)%
Net contract assets (liabilities)	$6,528	$(198,203)	$204,731	

Contract assets increased by NT$195,277 thousand from December 31, 2017 to December 31, 2018 was mainly due to the recognition of contractual assets from film and television licensing.

Contract liabilities decreased by NT$9,454 thousand from December 31, 2017 to December 31, 2018 mainly because NT$159,483 thousand from the beginning balance was recognized as revenue during the period. In addition, the IP royalty for game production was received this period.

(C) Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT$207,450 as at December 31, 2018. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue in 1 to 3 years.

(D) Assets recognized from costs to fulfil a contract

As at December 31, 2018, the incremental cost of fulfilling a game licensing contract (mainly for game development costs) was recognized as costs to fulfil a contract of NT$98,043. The cost expected to be recovered is recognized as the incremental cost of obtaining the contract, and is expected to be amortized simultaneously when the game royalty revenue is recognized.

(19) Expected credit losses/ (gains)

	For the years ended December 31,	
	2018	2017 (Note)
Operating expenses – Expected credit losses/(gains)		
Contract assets	$6,973	
Accounts receivable	3,061	
Total	$10,034	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The credit risk for the Group's measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses (loss ratio of 0%).

The Group measures the loss allowance of its contract assets and trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at December 31, 2018 is as follows:

(A) the gross carrying amount of contract asset is NT$213,978 thousand, its loss allowance amounting to NT$0 which is measured at expected credit loss ratio of 0%.

(B) the Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

	Not yet due	Overdue				
	(Note)	<=30 days	31-120 days	121-365 days	>=365 days	Total
Gross carrying amount	$111,581	$256	$2,624	$3,722	$249	$118,432
Loss ratio	-%	1.56%	3.05%	20.31%	100%	
Lifetime expected credit losses	-	(4)	(80)	(756)	(249)	(1,089)
Total	$111,581	$252	$2,544	$2,966	$-	$117,343

Note: The Group's notes receivable are not overdue.

The movement in the provision for impairment of contract assets and accounts receivable during the December 31, 2018 is as follows:

	Contract Assets	Accounts Receivable
Beginning balance (in accordance with IAS 39)	$-	$941
Transition adjustment to retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	941
Addition/(reversal) for the current period	6,973	3,061
Write off	(6,973)	(2,913)
Ending balance	$-	$1,089

Please refer to Note 12 for further details on credit risk.

(20) Operating leases

The Group has entered into commercial leases on property and equipment such as offices. These leases have an average life of one to five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2018 and 2017 are as follows:

	As of December 31,	
	2018	2017
Not later than one year	$45,159	$39,560
Later than one year and not later than five years	44,660	73,051
Later than five years	-	-
Total	$89,819	$112,611

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2018	2017
Minimum lease payments	$42,383	$39,316

(21) Summary statement of employee benefits, depreciation and amortization expense by function during the years ended December 31, 2018 and 2017:

	For the years ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$-	$267,835	$267,835	$-	$298,563	$298,563
Labor and health insurance	-	25,884	25,884	-	23,180	23,180
Pension	-	30,566	30,566	-	24,777	24,777
Other employee benefits expense	-	24,526	24,526	-	20,426	20,426
Depreciation	-	13,679	13,679	-	9,120	9,120
Amortization	-	12,132	12,132	-	5,940	5,940

According to the Articles of Incorporation, no less than 3% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit for the year ended December 31, 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 to be 5% of profit of the current year and 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 amount to NT$6,484 thousand and NT$1,297 thousand, respectively. On March 19, 2019, the Board of Directors meeting resolved to distribute NT$6,580 thousand and NT$1,316 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2018, respectively.

(22) Non-operating income and expenses

(A) Other income

	For the years ended December 31,	
	2018	2017
Interest income	(Note)	$1,056
Financial assets measured at amortized cost	615	(Note)
Dividend income	1,131	-
Other income	7,399	10,670
Total	$9,145	$11,726

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(B) Other gains and losses

	For the years ended December 31,	
	2018	2017
Losses on disposal of property, plant and equipment	$(119)	$(108)
Losses on disposal of intangible assets	(36)	-
Gains (losses) on disposal of investments	(5)	6,314
Foreign exchange losses, net	(1,231)	(4,196)
Impairment losses from financial assets	-	(15,085)
Impairment loss from non-financial assets	(363)	-
Other	(6,393)	26
Total	$(8,147)	$(13,049)

(C) Finance costs

	For the years ended December 31, 2018	For the years ended December 31, 2017
Interest on borrowings from bank	$1,674	$1,590

(23) Components of other comprehensive loss

For the year ended December 31, 2018:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive loss, before tax	Income tax relating to components of other comprehensive loss	Other comprehensive loss, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(2,585)	$-	$(2,585)	$-	$(2,585)
Unrealized gains or losses from financial assets at fair value through other comprehensive loss	(88,089)	-	(88,089)	-	(88,089)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(433)	-	(433)	-	(433)
Total of other comprehensive loss	$(91,107)	$-	$(91,107)	$-	$(91,107)

For the year ended December 31, 2017:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive loss, before tax	Income tax relating to components of other comprehensive loss	Other comprehensive loss, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(772)	$-	$(772)	$-	$(772)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(803)	-	(803)	-	(803)
Unrealized gains or losses from available-for-sale financial assets	(23,477)	-	(23,477)	-	(23,477)
Total of other comprehensive loss	$(25,052)	$-	$(25,052)	$-	$(25,052)

(24) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense for 2018 and 2017 are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2018	2017
Current income tax expense:		
Current income tax charge	$58,851	$15,589
Adjustments in respect of current income tax of prior periods	(2,239)	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(3,477)	-
Total income tax expense	$53,135	$15,589

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2018	2017
Accounting profit before tax from continuing operations	$138,562	$25,117
Tax at the domestic rates (20% for 2018 and 17% for 2017) applicable to profits in the country concerned	$27,712	$4,270
Tax effect of revenues exempt from taxation	(226)	(1,648)
Tax effect of deferred tax assets/liabilities	(28,263)	(2,678)
Adjustments in respect of current income tax of prior periods	(2,239)	-
Overseas withholding tax	56,151	15,645
Total income tax expense recognized in profit or loss	$53,135	$15,589

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Recognized in profit or loss	Ending balance as of December 31, 2018
Temporary differences			
Unrealized bad debt expense	-	$142	$142
Unrealized foreign exchange losses	-	365	365
Unused vacation bonus	-	(593)	(593)
Unrealized sales return gross profit	-	(11)	(11)
Defined benefit liability, non-current	-	3,574	3,574
Deferred tax income/ (expense)		$3,477	
Net deferred tax assets/(liabilities)	$-		$3,477
Reflected in balance sheet as follows:			
Deferred tax assets	$-		$4,081
Deferred tax liabilities			$604

The information of the unused tax losses is as follows:

Year	Tax losses for the period	Unused tax losses As of December 31, 2018	2017	Expiration year
2008	$108,758	$-	$16,174	2018
2010	55,785	-	55,785	2020
2011	66,462	-	66,462	2021
2012	82,588	-	82,588	2022
2013	4,226	-	4,226	2023
2014	15,029	-	15,029	2024
		$-	$240,264	

The information of the unused tax losses for Taiwan subsidiaries is as follows:

Year	Tax losses for the period	Unused tax losses As of December 31, 2018	2017	Expiration year
2014	$13,795	$13,795	$13,795	2024
2015	20,226	20,150	20,150	2025
2016	129,772	91,425	91,425	2026
2017	50,104	50,104	50,104	2027
2018	64,955	64,955	-	2028
		$240,429	$175,474	

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets have not been recognized in respect of unused tax losses and deductible temporary differences amounting to NT$102,637 thousand and NT$162,653 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As at December 31, 2018, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2016
Subsidiary- LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Assessed and approved up to 2016
Subsidiary- Perfecten Corporation	Assessed and approved up to 2017
Subsidiary- Softstar Agency Co., Ltd.	Assessed and approved up to 2017
Subsidiary- Marsware Entertainment Inc.	Assessed and approved up to 2017
Subsidiary- Kobe Co., Ltd.	Assessed and approved up to 2016
Subsidiary- Gamebase Digital Media Corporation	Assessed and approved up to 2016
Subsidiary- SOFTSTAR CREATIVE INC.	Assessed and approved up to 2017
Subsidiary- Fairy Palm Inc.	Assessed and approved up to 2017

(25) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2018	2017
(A) Basic earnings per share		
Net income attributable to ordinary equity holders of the Company (in thousand NT$)	$87,823	$18,244
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	47,708	47,771
Basic earnings per share (NT$)	$1.84	$0.38

	For the years ended December 31,	
	2018	2017
(B) Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$87,823	$18,244
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	47,708	47,771
Effect of dilution:		
Restricted employee stock	10	147
Weighted average number of ordinary shares outstanding after dilution (in thousands)	47,718	47,918
Diluted earnings per share (NT$)	$1.84	$0.38

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
SOFT-WORLD INTERNATIONAL CORPORATION (Note 1)	Director of the Company
TOKYO FASHION CO., LTD.	The director of the Company and the director of this company are second-degree relatives
Global Angel Investments Limited	The director of the Company is the director of this company
NEWLOGISTICS CO., LTD.	The director of the Company and the director of this company are second-degree relatives
DOUBLE EDGE ENTERTAINMENT CORP.	The director of the Company is the director of this company
NEWCROSS CO., LTD.	The director of the Company and the director of this company are second-degree relatives
Neweb Payments Co., Ltd.	The director of the Company and the director of this company are second-degree relatives

Name of the related parties	Nature of relationship of the related parties
NEWRETAIL CO., LTD.	The director of the Company and the key management personnel of this company are second-degree relatives
Oriental Golden Richness LTD.	The director of the Company is the director of this company
Bakesi Wine Group Co., Ltd.	The director of the Company is the chairman of this company
A.R.T. Games Co., Ltd.	Associate
The Playground Investment Limited, Taiwan Branch	The key management personnel of the Company is the chairman of this company
FUNFIA INC.	The key management personnel of the subsidiary of the Company is chairman of this company
CITE PUBLISHING LIMITED	The corporate shareholder of the subsidiary of the Company
NONG NONG MAGAZINE CO., LTD.	Associate of the shareholder of the subsidiary of the Company
HOME MEDIA GROUP LTD. CITE BRANCH (CAYMAN ISLAND)	Associate of the shareholder of the subsidiary of the Company
ASIA PRESS PUBLISHING CO., LTD.	Associate of the shareholder of the subsidiary of the Company
PIXNET DIGITAL MEDIA CORPORATION	Associate of the shareholder of the subsidiary of the Company

Significant transactions with the related parties

(1) Sales

	For the years ended December 31,	
	2018	2017
Rendering of services		
Other related parties	$18,977	$7,723

The sales price to the above related parties was determined through mutual agreement. The collection period from sales to the related party customers are 30~60 days, which is the same with third party customers.

(2) Operating expenses

	For the years ended December 31,	
	2018	2017
Other related parties	$3,809	$446

(3) Accounts receivable-related parties

	As of December 31,	
	2018	2017
Other related parties	$5,304	$-

(4) Other receivables-related parties

	As of December 31,	
	2018	2017
Other related parties		
TOKYO FASHION CO., LTD.	$94	$-
NEWCROSS CO., LTD.	87	-
ASIA PRESS PUBLISHING CO., LTD.	49	-
Others	211	-
Total	$441	$-

(5) Prepayment-related parties

	As of December 31,	
	2018	2017
Associate	$1,905	$4,286
Other related parties	4,046	-
Total	$5,951	$4,286

Prepayment-related parties relates to game outsourcing costs.

(6) Accounts payable-related parties

	As of December 31,	
	2018	2017
Other related parties		
The Playground Investment Limited – Taiwan Branch	$756	$-
PIXNET DIGITAL MEDIA CORPORATION	187	-
Others	-	1
Total	$943	$1

(7) Other payables – related parties

	As of December 31,	
	2018	2017
Other related parties		
NEWLOGISTICS CO., LTD.	$33	$33

(8) Other current liabilities – advance receipts

	As of December 31,	
	2018	2017
Other related parties	$-	$3,053

Other current liabilities – advance receipts relates to royalty revenue.

(9) Key management personnel compensation

	For the years ended December 31,	
	2018	2017
Short – term employee benefits	$31,478	$27,754
Post – employment benefits	634	590
Share – based payment	-	2,267
Other long – term benefits	754	725
Total	$32,866	$31,336

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

	Carrying amount		
Items	December 31, 2018	December 31, 2017	Secured liabilities
Other financial assets, current – demand deposits	$43,641	$6,022	Short - term borrowings
Other financial assets, noncurrent – demand deposits	23,000	16,750	Long - term borrowings
Total	$66,641	$22,772	

9. Commitments and contingencies

On April 25, 2018, the Company's board of directors approved the capital injection plan for SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING), a subsidiary of the Group, is seeking to increase its capital in order to introduce long-term partners. All of the shares have been subscribed by CMGE TECHNOLOGY GROUP LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Group. The total amount of capital injection is RMB$213,000 thousand. After the capital injection, CMGE holds 51% shares in SOFTSTAR BEIJING. The Company holds 49% shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC., and the Group will waive the right to subscribe shares this time. The Company will recognize the losses and gains on disposal of investment, but the profit or loss impact will to be assessed upon completion.

As several terms in the agreement changed, Supplementary Agreement(I) was signed on May 28, 2018. The main details are as follows:

(1) CMGE waives part of the settlement terms in the Supplemental Agreement(I), therefore the settlement terms have already been met or waived on the date of the Supplemental Agreement(I).

(2) CMGE shall, within three working days after the signing of the Supplemental Agreement(I), instruct China Mobile Games and its affiliate Entertainment Group Limited Shenzhen, to wire transfer five percent of the subscription amount to the designated bank account of SOFTSTAR BEIJING as a performance deposit indicating that CMGE will fulfill the share subscription agreement and Supplemental Agreement(I).

(3) SOFTSTAR BEIJING shall send a written notice to CMGE after the capital increase, completion of the registration for change and filing for restatement of the articles of association and the change of directors and other personnel, filing at the Ministry of Commerce, foreign exchange registration (collectively, "registration and filing"). CMGE shall wire transfer 100% of the subscription price to SOFTSTAR BEIJING's bank account within 30 working days after receiving the aforementioned written notice from SOFTSTAR BEIJING. If CMGE fails to pay the full subscription price within 60 working days in accordance with this Supplemental Agreement(I), the original shareholder SOFTSTAR ENTERTAINMENT INC. and SOFTSTAR BEIJING shall have the right to cancel the transaction and request to resume the original status before the proposed transaction, and to confiscate the performance deposit received.

On January 30, 2019, CMGE and SOFTSTAR BEIJING signed Supplementary Agreement(II). The main details are as follows:

(1) CMGE shall instruct China Mobile Games and Entertainment Group Limited Shenzhen to pay a guarantee deposit of RMB$10,000 thousand before February 25, 2019 (with guarantee deposit of RMB$10,650 thousand received mentioned in Supplementary Agreement(I), total security deposits amounted to RMB$20,650 thousand), indicating that CMGE will fulfill the original share subscription agreement and Supplemental Agreement(II).

(2) CMGE shall pay the remaining amount before March 31, 2019. If the payment is not completed as scheduled, CMGE shall designate its affiliates and all parties to re-sign the share subscription agreement. If the new agreement is not signed before the deadline, but CMGE has remitted the total share purchase price, the capital increase will still be deemed complete.

(3) If CMGE fails to complete the payment before the deadline, or fails to re-sign the share subscription agreement with the parties on the date of the deadline, then the shareholders of SOFTSTAR BEIJING, SOFTSTAR ENTERTAINMENT INC. has the right to cancel the transaction documents. Changes in transaction documents and registration for change of business and industry should be returned to their original status.

CMGE remitted the performance deposit of RMB$10,000 thousand on February 25, 2019. Although under Mainland China's Company Act, CMGE has a 51% equity interest in SOFTSTAR BEIJING, CMGE will only obtain substantial control over SOFTSTAR BEIJING after it completes payment and the equity transaction. As at the reporting date, the Company's capital increase has not been completed.

10. Loss due to major disasters

None.

11. Significant subsequent events

On November 1, 2018, the shareholders' meeting of the Company resolved to issue 1,500 thousand shares of restricted employee stock for NT$15,000 thousand. The issuance period shall be within one year from the date of the notification of the effective date of application. The shares of restricted employee stock were issued on January 5, 2019.

12. Others

(1) Categories of financial instruments

Financial assets	As of December 31,	
	2018	2017
Financial assets at fair value through other comprehensive income	$189,506	(Note 1)
Available-for-sale financial assets (including measured at cost financial assets)	(Note 1)	$291,977
Financial assets measured at amortized cost (Note 2)	380,686	(Note 1)
Loans and receivables (Note 2)	(Note 1)	405,243
Total	$570,192	$697,220

Financial liabilities	As of December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term borrowings	$62,425	$-
Accounts payable	156,717	126,746
Long-term borrowings (including current portion)	84,602	62,688
Guarantee deposits received (in other current liabilities	47,606	-
Total	$351,350	$189,434

Note:
1) The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in acutance with the transition provision in IFRS 9.
2) Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivable, accounts receivable-related parties, other receivables, other financial assets, current, refundable deposits , and other financial assets, noncurrent.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency A and foreign currency B. The information of the sensitivity analyses as follows:

(A) When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended December 31, 2018 and 2017 is increased/(decreased) by NT$75 thousand and NT$121 thousand, respectively.

(B) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2018 and 2017 is increased/(decreased) by NT$1,528 thousand and NT$511 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2018 to decrease/increase by NT$324 thousand.

Equity price risk

The fair value of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under financial asset at fair value through other comprehensive income (available-for-sale financial assets in 2017). The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

As of December 31, 2017, an increase/decrease of 10% in the price of the listed equity securities classified as available-for-sale could have an impact of NT$10,527 thousand on the equity attributable to the Group.

As of December 31 2018, an increase/decrease of 10% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$4,199 thousand on the equity attributable to the Group.

Please refer to Note 12.8 for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2018, and December 31, 2017, accounts receivable and contract assets from top ten customers represent 78.92% and 81.63% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivable is relatively insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2018					
Short-term borrowings (including estimated interest)	$66,668	$-	$-	$-	$66,668
Accounts payable (including other payables)	156,717	-	-	-	156,717
Long-term borrowings (including estimated interest)	37,743	47,717	1,022	-	86,482
As of December 31, 2017					
Accounts payable (including other payables)	$126,746	$-	$-	$-	$126,746
Long-term borrowings (including estimated interest)	27,138	31,928	5,110	-	64,176

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2018:

	Short-term borrowings	Guarantee deposits received (recognized in other current liabilities)	Long-term borrowings (including current portion)	Total liabilities from financing activities
As of January 31, 2018	$-	$-	$62,688	$62,688
Cash flows	62,425	47,605	21,914	131,944
As of December 31, 2018	$62,425	$47,605	$84,602	$194,632

Reconciliation of liabilities for the year ended December 31, 2017: Not applicable

(7) Fair values of financial instruments

(A) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method or income approach valuation techniques. The market method valuation is based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities). The income method is based on the estimated recoverable amount of the present value of similar financial assets that are expected to be received from cash dividends or disposals of investments.

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(B) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group’s financial assets and financial liabilities measured at amortized cost is approximate their fair value.

(C) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

(A) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(B) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$5,484	$36,502	$147,521	$189,506

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Stock	$10,754	$94,520	$-	$105,274

Transfers between Level 1 and Level 2 during the period

During the years ending December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	Measured at fair value through other comprehensive income
	Stocks
Beginning balances as of January 1, 2018	$186,703
Total gains and losses recognized for the year ended December 31, 2018	
Amount recognized in OCI (presented in "Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	(24,803)
Capital reduction and return of stock for the year ended December 31, 2018	(14,380)
Ending balances as of December 31, 2018	$147,520

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Income approach	Discount for lack of marketability	16%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$14,752 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

(Expressed in thousands)

	December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$244	30.80	$7,516
RMB	34,170	4.47	152,808

(Expressed in thousands)

	December 31, 2017		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$406	29.78	$12,091
NTD	11,202	4.57	51,140

The above information is disclosed based on the carrying amount of foreign currency (after conversion of functional currency).

The Group has a variety of functional currencies, therefore the monetary impact on financial assets and liabilities impact for each individual currency cannot be disclosed. For the year ended December 31, 2018 and 2017, foreign exchange losses were NT$1,231 thousand and NT$4,196 thousand, respectively.

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional disclosure

(1) Information at significant transactions

(A) Financing provided to other: Please refer to Attachment 1.
(B) Endorsement/Guarantee provided to others: Please refer to Attachment 2.
(C) Securities held (excluding subsidiaries, associates and joint venture): Please refer to Attachment 3.
(D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(E) Acquisition of individual real estate with amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(F) Disposal of individual real estate with amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(G) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million and 20 percent of the capital stock: None.
(H) Receivables from related parties with amounts exceeding the lower of NT$100 million and 20 percent of capital stock: None.
(I) Financial instruments and derivative transactions: None.
(J) Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions: Please refer to Attachment 4.

(2) Information on investees

Names, locations, and other information (excluding investment in Mainland China): Please refer to Attachment 5.

(3) Information on investments in mainland China

(A) Basic information: Please refer to Attachment 6.
(B) Directly or indirectly significant transactions through third regions with the investees in Mainland China: Please refer to Attachment 4.

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

(1) Taiwan: this segment is mainly responsible for researching, licensing, and sales of products.
(2) Mainland China: this segment is mainly responsible for researching, licensing, and sales of products in Mainland China.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

(1) The following table presents segment profit and loss of the Group' operating segments:

(Expressed in thousands)

	For the year ended December 31, 2018				
	Taiwan		China		
Revenue	Operating Department	Research and development and licensing segment	Research and development and licensing segment	Adjustment and elimination	Total
External customer	$117,100	$460,103	$278,535	$-	$855,738
Inter-segment	6,978	89,992	-	(96,970)	-
Total revenue	$124,078	$550,095	$278,535	$(96,970)	$855,738
Segment (loss) profit	$(28,432)	$157,628	$17,260	$-	$146,456

(Expressed in thousands)

	For the year ended December 31, 2017				
	Taiwan		China		
Revenue	Operating Department	Research and development and licensing segment	Research and development and licensing segment	Adjustment and elimination	Total
External customer	$332,883	$236,501	$219,744	$-	$789,128
Inter-segment	9,864	120,095	-	(129,959)	-
Total revenue	$342,747	$356,596	$219,744	$(129,959)	$789,128
Segment (loss) profit	$144,918	$(100,610)	$(7,775)	$-	$36,533

Inter-segment revenue is eliminated on consolidation and recorded under the "adjustment and elimination" column, all other adjustments and eliminations are disclosed below.

The following table presents segment assets of the Group's operating segments as at December 31, 2018 and 2017:

Operating segment assets

	Taiwan	Mainland China	Reportable operating segments	Adjustment and elimination	Consolidated
December 31, 2018	$850,902	$375,728	$1,226,630	$(143,471)	$1,083,159
December 31, 2017	$994,957	$134,574	$1,129,531	$(238,334)	$891,197

Operating segment liabilities

	Taiwan	Mainland China	Reportable operating segments	Adjustment and elimination	Consolidated
December 31, 2018	$336,806	$315,527	$652,333	$(55,660)	$596,673
December 31, 2017	$362,460	$87,294	$449,754	$(51,246)	$398,508

Other reconciliations of reportable segments

	For the years ended December 31,	
	2018	2017
Total profit or loss for reportable segments	$146,456	$36,533
Other profit or loss	(7,894)	(11,416)
Profit before tax from continuing operations	$138,562	$25,117

(3) Geographical information

Revenue from external customers:

	For the years ended December 31,	
	2018	2017
Taiwan	$142,658	$343,011
Mainland China	713,080	446,117
Total	$855,738	$789,128

The revenue information above is based on the location of the customer.

Non-current assets:

	As of December 31,	
	2018	2017
Taiwan	$335,123	$381,154
Mainland China	145,176	7,654
Total	$480,299	$388,808

(4) Information about major customers

	For the years ended December 31,	
	2018	2017
Customer A	$216,817	$-
Customer B	101,509	-
Customer C	83,134	29,334
Customer D	61,502	9,460
Customer E	52,520	97

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

ATTACHMENT 1: Financing provided to others for the year ended December 31, 2018

No. (Note 1)	Name of financing provider	Name of counterparty	Account	Related party	Maximum balance for the period (Note 5)	Ending balance (Note 6)	Actual amount provided	Interest rate	Nature of financing activity (Note 2)	Amount of sales to (purchase from) counterparty	Reason for financing	Loss Allowance	Assets pledged		Limit of financing amount for individual counterparty (Note 5)	Limit of total financing amount (Note 5)	Note
													Item	Value			
1	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD.	Other receivables-related parties	Y	$2,950	$2,503	$2,503	1.75%~3.25%	2	$-	Operating	$-	None	$-	$8,940	$13,410	Note7
2	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD.	Other receivables-related parties	Y	447	447	447	2.88%	2	-	Operating	-	None	-	22,350	26,820	Note8
2	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	Other receivables-related parties	Y	6,258	4,917	4,917	2.88%~3.25%	2	-	Operating	-	None	-	22,350	26,820	Note8
2	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Other receivables-related parties	Y	16,986	16,986	16,986	2.25%	2	-	Operating	-	None	-	22,350	26,820	Note8
3	SOFTSTAR INTERNATIONAL INC.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Other receivables-related parties	Y	19,968	19,968	-	1.75%	2	-	Operating	-	None	-	61,440	92,160	Note9
3	SOFTSTAR INTERNATIONAL INC.	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Other receivables-related parties	Y	30,720	30,720	18,432	1.75%	2	-	Operating	-	None	-	61,440	92,160	Note9

Note 1: The parent company is coded "0" and the subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.
Note 2: If the nature of the financing provided is for business transactions fill in "1", those who have short-term financing funds necessity fill in "2".
Note 3: The financing amount shall not exceed the transaction amount between the lender and the counterparty for companies with transactions and shall not exceed 40% net worth of the Company. Individeal financial amount not exceed 10% net worth of the Company.
The term "business transaction amount" refers to the highest amount of purchase or sales in the latest year or the current year between the two parties; the short-term financing amount and the total amount are limited to 40% of the company's net value;
The individual financing amount is limited to 10% of the company's net value.
The amount of the individual financing amounts by the Company to 100% directly and indirectly held foreign companies with voting rights are not subject to the above restrictions, but the accumulated balance shall not exceed the company's net value.
Note 4: It is converted according to the exchange rate on the balance sheet date of December 31, 2018.
Note 5: The maximum financing amount for the year.
Note 6: If public companies propose financing provided to others to the Board of Directors under the Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies, they should still state ending balances approved by the Board of Directors to disclose the risk taken. When the capital is repaid, the amount of repayment should be disclosed to reflect the adjusted risk. If public companies authorize the director to revolve credit under certain limit approved by the Board of Directors, limit approved by the Board of Directors should still be stated. Even though capital is repaid, limit approved by the Board of Directors should still be stated since the company may lend again.
Note 7: Softstar Technology (Shanghai) Co., Ltd.: The total financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed RMB$3,000 thousand.
The individual financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed RMB$2,000 thousand.
Note 8: Softstar Technology (Beijing) Co., Ltd.: The total financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed RMB$6,000 thousand.
The individual financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed RMB$5,000 thousand.
Note 9: Softstar International Inc. The total financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed USD$3,000 thousand;
The individual financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed USD$2,000 thousand.

English Translation of Considated Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

ATTACHMENT 2: Endorsement/Guarantee provided to others for the year ended December 31, 2018

No. (Note 1)	Name of endorsers	Endorsee		Endorsement limit for a single entity (Note 3)	Maximum balance for the period (Note 4)	Ending balance (Note 5)	Actual amount provided (Note 6)	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount (Note 3)	Guarantee provided by Parent Company (Note 7)	Guarantee provided by a Subsidiary (Note 7)	Guarantee provided to Subsidiaries in Mainland China (Note 7)
		Name of endorsees	Relationship (Note 2)										
0	SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	3	$482,893	$103,110	$103,110	$33,457	$34,351	21.35%	$482,893	Y	N	Y
0	SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	3	482,893	54,000	54,000	-	-	11.18%	482,893	Y	N	Y

Note 1: The parent company and its subsidiaries are coded as follows:
(1) The parent company is coded "0".
(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.
Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4) The endorsed/guaranteed parent company directly or indirectly owns more than 90% voting shares of the endorser/guarantor subsidiary.
(5) Mutual guarantee of the trade as required by the construction contract.
(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.
Note 3: According to the endorsement guarantee procedures, the endorsement guarantee limit is as follows:
(1) Accumulated external endorsement guarantee is limited to 100% of the company's net value.
(2) The endorsement guarantee limit for a single enterprise is limited to 100% of the company's net value. However, for a single overseas affiliated company, it is not limited to 100% of the net value. If the endorsement guarantee is due to business relationship, the total amount shall not exceed the total transactions with the company of the most recent year.
(The higher amount of goods purchased or sold between the two parties).
(3) The aforementioned net value of the Company shall be subject to the most recent financial statements audited or reviewed by an accountant.
Note 4: The maximum endorsements/guarantees amount for the year.
Note 5: All endorsements/guarantees that have been approved by bank shall be included in ending balance.
Note 6: Please fill in the actual amount provided by the endorsers.
Note 7: Parent company endorsed/guaranteed for the subsidiaries, subsidiaries endorsed/guaranteed for the parent company, or endorsement/guarantee for entities in Mainland China shall fill in "Y" 。

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

ATTACHMENT 3: Securities held as of December 31, 2018

Names of companies held	Type of securities (Note 1)	Name of securities (Note 1)	Relationship with the Company (Note 2)	Financial statement account	December 31, 2018				Note (Note 4)
					Shares (in thousand)	Carrying amount (Note 3)	Percentage of ownership (%)	Fair value	
SOFTSTAR ENTERTAINMENT INC.	Stock	AUER MEDIA & ENTERTAINMENT CORP.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,696	$137,247	19.48%	$137,247	N
SOFTSTAR ENTERTAINMENT INC.	Stock	TAIWAN SMART CARD CO.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,552	5,480	15.95%	5,480	N
SOFTSTAR ENTERTAINMENT INC.	Stock	DOUBLE EDGE ENTERTAINMENT CORP.	-	Financial assets at fair value through other comprehensive income, noncurrent	479	4,793	17.43%	4,793	N
SOFTSTAR ENTERTAINMENT INC.	Stock	FUNFIA INC.	Other related party	Financial assets at fair value through other comprehensive income, noncurrent	600	-	14.23%	-	N
SOFTSTAR ENTERTAINMENT INC.	Emerging stock	SNSPLUS, INC.	-	Financial assets at fair value through other comprehensive income, noncurrent	1,331	5,484	2.34%	5,484	N
Kobe Co., Ltd.	Listed stock	NEWRETAIL CO., LTD.	Other related party	Financial assets at fair value through other comprehensive income, noncurrent	5,001	36,502	4.24%	36,502	N
						$189,506			

Note 1:Securities on the list refer to securities such as stocks, bonds, beneficiary certificates and securities derived from those items included in IFRS 9 “Financial Instruments”.

Note 2:Fields do not have to be filled in if the security issuer is not a related party.

Note 3:Securities which were acquired by using fair value method, please fill in amount based on calculating after adjustment from fair value minus accumulated impairment; fill in the rest amount based on original acquired cost or after amortization minus accumulated impairment.

Note 4:Listed securities due to guarantees, pledged loans, or others who are restricted by agreement shall specify in the remarks column the number of guarantees or the number of shares borrowed, the amount of the guarantee or the amount of the loan, and restrictions on use.

Attachment 4: Significant intercompany transactions between consolidated entities

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Business Transactions			
				Account	Amount	Term	As a percentage of consolidated revenues (Note 3)
0	SOFTSTAR ENTERTAINMENT INC.	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	1	Sales Revenue	$24,020	Negotiated by both parties	2.81%
0	SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	1	Research and development expenses - Professional service fees	69,075	Negotiated by both parties	8.07%

Note 1:Information about related party transactions should be stated. The numbers of each company are illustrated as follows:
1. 0 is for the parent company.
2. Each subsidiary is numbered from 1.

Note 2:Transactions are categorized into three types as follows: (There is no need to repeat the disclosure of the same transaction between the parent company and each subsidiary. For example, if the parent company has disclosed the transaction with the subsidiary, the subsidiary does not need to disclose it; if transactions between subsidiaries has been disclosed by one company, the other company does not need to disclose the transaction.
1. Parent company and subsidiary.
2. Subsidiary and Parent company.
3. Subsidiary and subsidiary.

Note 3:Transaction amount is stated as a percentage of total revenues. Percentages of assets or liabilities accounts are calculated as ending balance divided by consolidated assets, and percentages of profit or loss accounts are calculated as accumulated amount for the year divided by consolidated revenues.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

ATTACHMENT 5: Names, locations and related information of investee companies (Not including investment in Mainland China)

Investor company	Investee company	Location	Main business and products	Original investment amount		Investment as of December 31, 2018			Net income (loss) of investee (Note 1)	Investment income (loss) recognized (Note 1)	Note
				Ending balance	Beginning balance	Number of shares (in thousand)	Percentage of ownership (%)	Book value			
SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR INTERNATIONAL INC.	Cayman Islands	Investment holding	$200,899	$165,484	6,259	100%	$59,935	$2,959	$2,959	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Taiwan	Software wholesale and information software services	95,000	95,000	2,850	100%	(8,032)	(32,909)	(32,909)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Softstar Agency Co., Ltd.	Taiwan	Performing arts	10,000	9,000	-	100%	(512)	(1,876)	(1,876)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Marsware Entertainment Inc.	Taiwan	Network software development and technical services	30,000	30,000	3,000	100%	(3,005)	426	426	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Fairy Palm Inc.	Taiwan	Software publishing and information software services	102	102	10	51%	66	2,306	1,176	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	WECOOL GAME CO., LTD.	Taiwan	Network software development and technical services	47,000	40,000	4,700	100%	1,829	(19,951)	(19,951)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Kobe Co., Ltd.	Taiwan	General investment	98,792	98,792	-	100%	36,921	(64)	(64)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Gamebase Digital Media Corporation	Taiwan	Software publishing and information software services	25,000	15,000	2,600	86.67%	3,056	(20,236)	(17,335)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	A.R.T. Games Co., Ltd.	Taiwan	Network software development and technical services	12,250	4,900	1,225	49%	5,799	(9,377)	(4,595)	Investments accounted for using the equity method
SOFTSTAR ENTERTAINMENT INC.	Chia-e International Inc.	Taiwan	Investment holding	20,000	20,000	814	28.21%	10,729	(9,300)	(2,624)	Investments accounted for using the equity method
SOFTSTAR INTERNATIONAL INC.	JP Soft L.L.C	U.S.A	Investment holding	-	4,717	-	-	-	-	-	Note 3
SOFTSTAR INTERNATIONAL INC.	MAURITIUS WEBSTAR INC.	Mauritius	Investment holding	47,302	46,104	158	100%	575	(934)	(934)	Second-tier subsidiary
SOFTSTAR INTERNATIONAL INC.	SOFTSTAR GLOBAL INC.	Mauritius	Investment holding	162,277	162,277	5,327	100%	(9,914)	(480)	(480)	Second-tier subsidiary
SOFTSTAR INTERNATIONAL INC.	SOFTSTAR ANIMATION LIMITED	Samoa	Investment holding	51,829	36,247	1,680	100%	34,370	(16,779)	(16,779)	Second-tier subsidiary
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Perfecten Corporation	Taiwan	Network software development and technical services	50,000	50,000	5,000	100%	2,465	(7,729)	(7,729)	Second-tier subsidiary
Perfecten Corporation	PERFECT TEN INTERNATIONAL LIMITED	Hong Kong	Network software development and technical services	466	466	-	-	-	25	25	Note 4

Note 1: If the listed company set up the overseas investment company and cosider companies creates consolidated financial statements as primary financial statements under local regulations, information about overseas investees can be disclosed only to the extent of the overseas investment company.
Note 2: If not qualified for the situation stated in Note 1, the above table should be made under rules as follows:
(1) Information about the Company's investments should be filled in the "Investee", "Location", "Main business", "Original investment" and "Investment as of December 31, 2018" columns. The relationship between the investee and the Company should be filled in the "Note" column.

(2) The net income for the year of each investee should be filled in the "Net income (loss) of investee" column.

(3) Only the investment income (loss) of subsidiaries or investees accounted for using the equity method recognized by the Company should be filled in the "Investment income (loss) recognized" column. The investment income (loss) recognized should include investment income (loss) recognized by the investee.

Note 3: On February 26, 2018, the company completed the closing procedures.

Note 4: On March 22, 2018, in order to integrate the Group's resources, the Company settled the repatriation of Perfecten Corporation’s share capital, and completed the liquidation procedure on August 10, 2018.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

ATTACHMENT 6: Investment in Mainland China

1. The following table presents names, main businesses and products, total amount of paid-in capital, method of investment, accumulated outflow of investment from Taiwan, investment income recognized, carrying amount, and accumulated inward remittance of earnings on investment of investees in Mainland China

Investee Company	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as at January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (loss) of investee Company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as of December 31, 2018	Accumulated inward remittance of earnings as of December 31, 2018	Note (Note 2(2))
					Outflow	Inflow							
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Information processing service	$32,856	2	$32,856			$32,856	$21,285	100%	$21,285	$10,179	$-	B
SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Information processing service	116,314	2	22,294			22,294	(78,286)	100%	(78,286)	(18,423)	-	B
UNISTAR SOFTWARE CO., LTD.	Information processing service	13,865	2	3,708			3,708	-	21.66%	-	-	-	C(Note 4)
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	Development of computer hardware and network technology	31,846	2	31,846			31,846	(479)	100%	(479)	(7,046)	-	B
JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD.	Network software development and technical services	65,263	2	65,263			65,263	(1)	100%	(1)	(2,868)	-	B

2. Investment quota for Mainland China:

Accumulated investment in Mainland China as of December 31, 2018	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment in accordance with Ministry of Economic Affairs regualtions (Note 5)
$155,967	$285,526	$289,736

Note 1: The method for engaging in investment in Mainland China include the following:
(1) Direct investment in Mainland China with capital increase through companies registered in third region.
(2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of company in third region)
(3) Other method.
Note 2: The investment income (loss) recognized in current period:
(1) It should be noted if it is in preparation which there is no investment profit or loss.
(2) The investment income (loss) were determined based on the following basis:
A. The financial statement was audited by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.
B. The financial statement was audited by the auditors of the parent company.
C. Others.
Note 3: The amount is stated in New Taiwan Dollars.
Note 4: Unistar Software Co.,Ltd. has completed cancellation of registration.
Note 5: The upper limit of investment in Mainland China is 60% of the net value or consolidated net value.

V. Parent Company Only Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

English Translation of a Report Originally Issued in Chinese

Independent Auditor's Report

To SOFTSTAR ENTERTAINMENT INC.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition —Royalties

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

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

2. Obtaining the license agreements, identifying performance obligations, defining the transaction prices, and determining whether revenues are recognized over time or at a point in time;

3. Obtaining the details of recognition of royalties and confirming whether the performance obligations of the license agreement have been fulfilled; obtaining the details of royalty revenue allocation of games development and confirming the correctness of the development period and revenue allocation stated in the license agreements;

4. Review the reasonableness of the estimated allocation periods and the correctness of the calculation of royalty revenues allocation provided by the Company.

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

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

The Company recognized NT$32,909 thousand, which represents (37)% of the Company's total profit for the year ended December 31, 2018 in share of loss of associates and joint ventures accounted for using equity method from subsidiary LOFTSTAR INTERACTIVE ENTERTAINMENT INC..

The amount of the aforementioned is considered to be material to the Company’s financial statements, therefore we consider LOFTSTAR INTERACTIVE ENTERTAINMENT INC.’s virtual items revenue as a key audit matter.

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

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

1. Understanding the process of allocation and recognition of revenue regarding recharging game credits, and using credits to purchase virtual items;

2. Obtaining the game credit consumption data and revenue calculation sheets for each game, confirming the correctness of the calculations, obtaining the recharge records, the game credit consumption records, and the downloaded revenue reports for each platform, and vouching to the calculation sheets of LOFTSTAR INTERACTIVE ENTERTAINMENT INC.’s accounts.

3. Obtaining the estimation tables for the life cycles of the gamers to confirm the rationality of the allocation and recognition of revenue of virtual items.

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

Emphasis of Matter – Applying for New Accounting Standards

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our

opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Yu, Chien-Ju
Yang, Chih-Huei

Ernst & Young, Taiwan
March 19, 2019

Notice to Readers

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of December 31, 2018	As of December 31, 2017
Current assets			
Cash and cash equivalents	4 and 6	$119,960	$127,394
Contract assets, current	4 and 6	37,640	-
Accounts receivable, net	4 and 6	69,067	56,535
Accounts receivable-related parties, net	4, 6 and 7	15,701	24,369
Other receivables	4	183	-
Other receivables-related parties	7	11,311	9,353
Current income tax assets		1,313	8,890
Prepayment	4, 6 and 7	73,156	62,022
Other financial assets, current	8	43,641	6,022
Total current assets		371,972	294,585
Non-current assets			
Financial assets at fair value through other comprehensive income, noncurrent	4 and 6	153,004	-
Available-for-sale financial assets, noncurrent	4 and 6	-	10,754
Financial assets measured at cost, noncurrent	4 and 6	-	186,703
Investments accounted for using the equity method	4 and 6	118,335	210,152
Contract assets, noncurrent	4 and 6	65,231	-
Property, plant and equipment	4 and 6	14,271	16,671
Intangible assets	4 and 6	6,302	13,971
Deferred tax assets	4 and 6	4,081	-
Refundable deposits	4	5,651	5,651
Other financial assets, noncurrent	4 and 8	23,000	16,750
Total non-current assets		389,875	460,652
Total assets		$761,847	$755,237

Liabilities and Equity	Notes	As of December 31, 2018	As of December 31, 2017
Current liabilities			
Short-term borrowings	4 and 6	$30,000	$-
Contract liabilities, current	4 and 6	13,975	-
Accounts payable		58,009	45,427
Accounts payable-related parties	7	1,421	1,581
Other payables	4 and 6	38,981	28,325
Other payables-related parties	7	2,849	-
Current income tax liabilities	4 and 6	11,184	-
Current portion of long-term liabilities	4 and 6	36,881	26,420
Other current liabilities	4 and 6	1,075	102,905
Total current liabilities		194,375	204,658
Non-current liabilities			
Long-term borrowings	4 and 6	47,721	36,268
Deferred tax liabilities	4 and 6	604	-
Other noncurrent liabilities	4 and 6	21,228	18,585
Net defined benefit liabilities	4 and 6	11,549	4,222
Total non-current liabilities		81,102	59,075
Total liabilities		275,477	263,733
Equity attributable to the parent company			
Common stock	4 and 6	477,945	478,313
Additional paid-in capital	4 and 6	179,197	25,174
Retained earnings	4 and 6		
Legal reserve		1,925	101
Special reserve		15,648	-
Unappropriated earnings		126,566	17,472
Other components of equity		(314,911)	(29,556)
Total equity		486,370	491,504
Total liabilities and equity		$761,847	$755,237

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

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

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

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

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

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, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

1. History and organization

Formerly known as Cyber Power Systems, Inc., SOFTSTAR ENTERTAINMENT INC. ("the Company") was incorporated in August 1998 in the Republic of China and it changed its name to SOFTSTAR ENTERTAINMENT INC. the same year. The Company main lines of business include online games, game software, instructional software, and research, design and sales of computer peripherals. The Company listed its shares of stock on the Taipei Stock Exchange (TPEX) on August 8, 2001. The Company's registered office and the main business location is at 23F, No. 200, Section 1, Keelung Road, Taipei, Republic of China (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The parent company only financial statements of the Company for the years ended December 31, 2018 and 2017 were authorized for issue by the Board of Directors on March 19, 2019.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

The impact on the Company's balance sheet on January 1, 2018 from applying for the first time the update of International Financial Reporting Standards from 2017 edition to 2018 edition is summarized as follows:

	2017 edition of IFRS	Adjustments related to edition update	2018 edition of IFRS	Note
Current assets:				
Contract assets	$-	$6,737	$6,737	(1)
Accounts receivable, net	56,535	(568)	55,967	(1)
Prepayment	70,912	1,377	72,289	(1)

	2017 edition of IFRS	Adjustments related to edition update	2018 edition of IFRS	Note
Non-current assets:				
Available-for-sale financial assets	$10,754	$(10,754)	$-	(2)
Financial assets measured at cost	186,703	(186,703)	-	(2)
Financial assets at fair value through other comprehensive income	-	197,457	197,457	(2)
Investments accounts for using the equity method	210,152	(21,073)	189,079	(1)
Contract assets	-	11,964	11,964	(1)
Current liabilities:				
Contract liabilities	-	8,732	8,732	(1)
Other payables	28,325	1,820	30,145	(1)
Other current liabilities	102,905	(25,644)	77,261	(1)
Current income tax liabilities	-	2,739	2,739	(1)
Non-current liabilities:				
Deferred tax liabilities	-	4,466	4,466	(1)
Equity:				
Retained earnings	17,573	45,546	63,119	(1)、(2)
Other components of equity	(29,556)	(39,222)	(68,778)	(2)

Assuming for the year ended December 31, 2018, the Company still adopted the International Financial Reporting Standards relating to the income standards of 2017 edition (including IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations), the impact on each of the Company's financial statements line items is summarized as follows:

	2018 edition of IFRS	Assuming 2017 edition of IFRS income standards are applied	Difference	Note
December 31,2018				
Balance Sheet:				
Current assets:				
Contract assets, current	$37,640	$-	$(37,640)	(1)
Accounts receivable, net	69,067	51,271	(17,796)	(1)
Current income tax assets	1,313	1,363	50	(1)
Prepayment	73,156	72,963	(193)	(1)
Non-current assets:				
Contract assets, noncurrent	65,231	-	(65,231)	(1)

	2018 edition of IFRS	Assuming 2017 edition of IFRS income standards are applied	Difference	Note
Current liabilities:				
Contract liabilities, current	$13,975	$-	$(13,975)	(1)
Other payables	38,981	31,250	(7,731)	(1)
Other current liabilities	1,075	52,251	51,176	(1)
Current income tax liabilities	11,184	-	(11,184)	(1)
Equity:				
Retained earnings	144,139	5,043	(139,096)	(1)
For the Year Ended December 31, 2018				
Statement of Comprehensive Income:				
Net sales	547,106	407,821	(139,285)	(1)
Cost of goods sold	(39,467)	(39,467)	-	(1)
Gross profit	507,639	368,354	(139,285)	(1)
Operating expenses:				
Sales and marketing expenses	(41,128)	(32,320)	8,808	(1)
General and administrative expenses	(56,852)	(56,852)	-	(1)
Research and development expenses	(201,128)	(201,128)	-	(1)
Expected credit losses	(9,881)	-	9,881	(1)
Total operating expenses	(308,989)	(290,300)	18,689	(1)
Operating income	198,650	78,054	(120,596)	(1)
Non-operating income and expenses	(74,835)	(74,835)	-	(1)
Income tax expense	(35,992)	(26,680)	9,312	(1)
Net income	87,823	(23,461)	(111,284)	(1)
Earnings per share (NTD)				
Earnings per share-basic	$1.84	$(0.49)		(1)
Earnings per share-diluted	1.84	(0.49)		(1)
For the Year Ended December 31, 2018				
Statement of Cash Flows				
Cash flows from operating activities				
Contract assets	$(84,170)	$-	$84,170	(1)
Accounts receivable, net	(13,100)	5,266	(8,366)	(1)
Prepayment	(9,757)	(10,941)	(1,184)	(1)
Contract liabilities	(70,323)	-	70,323	(1)
Other payables	8,822	7,778	(1,044)	(1)
Other current liabilities	(619)	(50,654)	(50,035)	(1)

Note:

(1) The details regarding the application of *IFRS 15"Revenue from Contracts with Customers" (including Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")* are as follow:

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company's principal revenue from contracts consists of royalty revenue and game operation revenue. Royalty revenue derives from licensing its solely developed intellectual property (IP) to others that grant use in game development, game operations and film content. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

(A) Please refer to Note 4 for the accounting policies before or after January 1, 2018.

(B) Please refer to the table above for the impact on each of the Company's financial statements for the year ended December 31, 2018 line items compared with the requirements of IAS 18.

(C) Revenue Recognition – Royalties

Before January 1, 2018, revenue recognition for royalties was recognized by straight -line method over the contract period or according to the acceptance progress. Starting from January 1, 2018, the Company recognized the aforementioned revenue in accordance with IFRS 15. The Company identifies performance obligations and determines 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 and recognizes revenue accordingly. However, for some contracts, if the Company has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. Before January 1, 2018, the Company recognized the consideration received in advance from customers under other current liabilities. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities.

(D) Estimating variable consideration

Starting from January 1, 2018, implied by the Company's business practices, the Company determines that it expects to provide a price concession. This price concession will depend on the situation of the industry at the time and the customer. In accordance with IFRS 15, the expected value method is used to estimate variable consideration to predict the amount of the consideration that the Company will be entitled to. When the aforementioned method for estimating variable consideration is included in the transaction price, the scope is limited to the accumulated amount of the revenue recognized which is likely to not be significantly reversed in the subsequent period when the uncertainty associated with the contracts are eliminated. The aforementioned method for estimating variable consideration was not applied by the Company before January 1, 2018.

(E) Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS.

(2) *IFRS 9"Financial Instruments"*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provision in IFRS 9, the Company elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company:

(A) The Company adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

(B) In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications of financial assets and its carrying amounts as at January 1, 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through other comprehensive income		Fair value through other comprehensive income (Equity Instrument)	$197,457
Available-for-sale financial assets (including $186,703 measured at cost)	$197,457		
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, current, refundable deposits, and other financial assets, noncurrent)	245,815
Loans and receivables (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets, current, refundable deposits, and other financial assets, noncurrent)	245,815		
Total	$443,272	Total	$443,272

(C) The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at January 1, 2018 are as follow:

IAS 39		IFRS 9			Retained earnings	Other components of equity
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Adjustment	Adjustment
Available-for-sale financial assets (including investments measured at cost, reported as a separate line item) (Note 1)	$197,457	Measured at fair value through other comprehensive income (equity instruments)	$197,457	$-	$39,222	$(39,222)
Subtotal	197,457					
Loans and receivables (Note 2)						
Cash and cash equivalents	127,135	Cash and cash equivalents	127,135	-	-	-
Accounts receivable	80,904	Accounts receivable	80,904	-	-	-
Other receivables	9,353	Other receivables	9,353	-	-	-
Other financial assets, current	6,022	Other financial assets, current	6,022	-	-	-
Refundable deposits	5,651	Refundable deposits	5,651	-	-	-
Other financial assets, noncurrent	16,750	Other financial assets, noncurrent	16,750	-	-	-
Subtotal	245,815	Subtotal	245,815			
Total	$443,272	Total	$443,272		$39,222	$(39,222)

Notes:

(1) In accordance with of IAS 39, the Company's available-for-sale financial assets included investments in funds, stocks and bonds of listed companies and stocks of unlisted companies. Adjustment details are described as follow:

Stocks (including listed and unlisted companies)

The Company assessed the facts and circumstances existed as at January 1, 2018, and determined these stocks were not held-for-trading; therefore, the Company elected to designate them as financial assets measured at fair value through other comprehensive income. As at January 1, 2018, the Company reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income of NT$197,457 thousand. Other related adjustments are described as follow:

(A) The stocks of unlisted companies previously measured at cost in accordance with IAS 39 had an original cost NT$186,703 thousand, NT$39,222 thousand of which was fully impaired. However, in accordance with IFRS 9, stocks of unlisted companies must be measured at fair value and shall not recognize impairment. The fair value of the stocks of unlisted companies was NT$186,703 thousand as at January 1, 2018. Accordingly, the Company adjusted the carrying amount of financial assets measured at fair value through other comprehensive income of NT$186,703 thousand and also adjusted the retained earnings and other equity by NT$39,222 thousand and NT$39,222 thousand, respectively.

(B) As of January 1, 2018, the Company reclassified the stocks of listed companies of NT$10,754 thousand measured at fair value from available-for-sale financial assets to financial assets measured at fair value through other comprehensive income. This adjustment did not result any differences in the carrying amounts of assets, but reclassified within equity accounts.

(2) In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arised from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018.

(D) Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

(3) IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 "The Effects of Changes in Foreign Exchange Rates", in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The Company originally recorded their foreign currency sales transactions based on the exchange rate on the date of revenue recognition and converted into its functional currency. The exchange difference was recognized when the foreign currency advance payment was written off. The Company elected to apply this interpretation prospectively on January 1, 2018. This change in accounting principle did not significantly impact the Company's recognition and measurement.

(4) *Disclosure Initiative – Amendment to IAS 7 "Statement of Cash Flows":*

The Company required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12 for more details.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
(A)	IFRS 16 "Leases"	January 1, 2019
(B)	IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019
(C)	IAS 28 "Investment in Associates and Joint Ventures" – Amendments to IAS 28	January 1, 2019
(D)	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
(E)	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
(F)	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

(A) *IFRS 16"Leases"*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(B) IFRIC 23 "*Uncertainty Over Income Tax Treatments*"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

(C) *IAS 28"Investment in Associates and Joint Ventures" – Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(D) *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(E) *Improvements to International Financial Reporting Standards (2015-2017 cycle):*

IFRS 3 "Business Combinations"

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 "Joint Arrangements"

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 "Income Taxes"

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 "Borrowing Costs"

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(F) *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. Apart from item (a), the remaining standards and interpretations have no material impact on the Company:

IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The impact arising from the adoption of IFRS 16 on the Company are summarized as follows:

(A) For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, the Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

For leases that were classified as operating leases applying IAS 17, the Company expects to measure and recognize those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019 and; the Company chooses an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

The Company expects the right-of-use asset will increase by NT$50,371 thousand and the lease liability will increase by NT$50,371 thousand on January 1, 2019.

(B) The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company's financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
(A)	IFRS 10 "Parent company only financial statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
(B)	IFRS 17 "Insurance Contracts"	January 1, 2021
(C)	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
(D)	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

(A) IFRS 10"*Parent company only financial statements" and IAS 28"Investments in Associates and Joint Ventures*" *– Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Parent company only financial statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(B) IFRS 17 "*Insurance Contracts*"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a Company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(a) estimates of future cash flows;
(b) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(c) a risk adjustment for non-financial risk.

The carrying amount of a Company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(C) *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(D) *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company determined the potential impact of the standards and interpretations, it has no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

(3) Foreign currency transactions

The Company’s parent company only financial statements are presented in NT$, which is also the Company’s functional currency.

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(A) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
(B) Foreign currency items within the scope of IFRS 9 *Financial Instruments* (Before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are accounted for based on the accounting policy for financial instruments.
(C) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

(A) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(B) The Company holds the asset primarily for the purpose of trading.
(C) The Company expects to realize the asset within twelve months after the reporting period.
(D) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(A) The Company expects to settle the liability in its normal operating cycle.
(B) The Company holds the liability primarily for the purpose of trading.
(C) The liability is due to be settled within twelve months after the reporting period.
(D) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within one month) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 9 *Financial Instruments: Financial Instruments* (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(A) Financial instruments: Recognition and Measurement

The accounting policy from January 1, 2018 as follow:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

(a) the Company's business model for managing the financial assets and
(b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
    a. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
    b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before January 1, 2018 as follow:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. A financial asset is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(B) Impairment of financial assets

The accounting policy from January 1, 2018 as follow:

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before January 1, 2018 as follow:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

(a) significant financial difficulty of the issuer or obligor; or
(b) a breach of contract, such as a default or delinquency in interest or principal payments; or
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(d) the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(C) Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(D) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*).

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(b) a Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(E) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(A) In the principal market for the asset or liability, or
(B) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

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

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

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

(9) Investments accounted for using the equity method

According to Art. 21 of Regulation Governing the Preparation of Financial Reports by Securities Issuers, the Company's investments in its subsidiaries are presented as Investments accounted for using equity method with necessary adjustments so that the net income and other comprehensive income of individual financial report equal the net income and other comprehensive income attributed to the parent of consolidated financial report, and that the shareholder's equity of individual financial report equals the shareholder's equity attributed to the parent of consolidated financial report. Considering the accounting treatment for investment in subsidiaries specified in IFRS 10 "Consolidated Financial Reports", and the different accounting treatments for different level of investees, necessary adjustments are made by debiting or crediting "Investments accounted for using equity method", "Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method", and "Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method".

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangement.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional paid in capital and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures (before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement). If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate or joint venture and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS *36 Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss, furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

(10) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Machinery and equipment	3~5 years
Office equipment	1~5 years
Leasehold improvements	3~6 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(11) Leases

Company as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(12) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Trademark and licences

Trademark and licences acquired separately are measured on initial recognition at cost. Trademark and licences are intangible assets with finite useful lives and are amortized over three to twenty years.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

A summary of the policies applied to the Company's intangible assets is as follows:

	Trademark	Licences	Computer software
Useful lives	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis over the period of the trademark	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(13) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(14) Treasury stocks

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(15) Revenue recognition

The accounting policy from January 1, 2018 as follow:

The Company’s revenue arising from contracts are primarily related to royalties. Licensing content includes licensing its solely developed intellectual property (IP) to others that grant use in game development, game operations and film content and online game operation services. The accounting policies are explained as follow:

Sale of goods

The Company manufactures and sells products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Company are game software and related peripherals and revenue is recognized based on the consideration stated in the contract.

The credit period of the Company’s sale of goods is from 30 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

(A) The Company provides services related to game licensing. The Company identifies performance obligations and determines 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. Based on experience, the Company uses the expected value method to estimate variable consideration. The scope is limited to the accumulated amount of the revenue recognized which is likely to not be significantly reversed in the subsequent period, when the uncertainty associated with the contracts are eliminated. For some contracts, if the Company has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently and should be recognized as contract liabilities.

(B) The Company provides services related to online games. The Company main purpose of selling online game time points is to provide services, therefore sales amount from online game time points is recognized as a contract liabilities and revenue is recognized based on actual usage.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arised.

(C) The Company provides services related to the operation of online games. Players recharge their game credits and can use the credits to buy virtual items. The Company recognizes the proceeds received from the sales of game points as contract liabilities. 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 by virtual items.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arised.

Costs to fulfil a contract

The Company determines fulfillment costs should be capitalized if all the following criteria are met:

(A) costs relate directly to a contract or to an anticipated contract the entity can specifically identify (e.g., costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract not yet approved);
(B) costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
(C) costs are expected to be recovered.

The accounting policy after January 1, 2018 as follow:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

The Company manufactures and sells game software related products. Revenue is the net fair value of the consideration received or receivable less value added tax, sales return, volume discount, and allowances for sales of goods to customers during normal business activities, and volume discount and allowance. Revenue is recognized when the products are delivered to the buyer, when the sales amount can be reliably measured, and when future economic benefits are likely to be recognized when they flow into the company. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, the Company has neither continuing managerial involvement nor effective control over the goods sold have been retained and when the customer accepts the goods according to the contract, or when there is objective evidence that all acceptance terms have been met.

The Company provides volume discounts and returns for defective products. The Company recognizes a provision for sales returns and allowances based on past experience and other known factors for sales.

Rendering of services

(A) The Company provides services related to licensing and recognizes revenue if all the following criteria are met:

  (a) The amount of the royalty is fixed or non-refundable;
  (b) the contract cannot be cancelled;
  (c) the authorized party is free to dispose of the relevant rights;
  (d) the authorized party is not required to perform other obligations after the delivery of the rights.

  If the license agreement does not meet the above conditions simultaneously, royalty income in recognized in a reasonable and systematic manner over the period of time.

(B) The Company provides services related to online games. The Company main purpose of selling online game time points is to provide services, therefore revenue from online game time points is initially deferred and recognized based on actual usage.

(C) The Company provides services related to the operation of online games. Players recharge their game credits and can use the credits to by virtual items. The Company recognizes the proceeds received 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 by virtual items.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Company's right to receive the payment is established.

(16) Borrowing Costs

Borrowing costs in line with the requirements which are directly attributable to the acquisition, construction or production of assets may be capitalized as part of the cost of the asset. All other borrowing costs are recognized as expenses incurred during the period. The borrowing costs include interest and other costs incurred in connection with the borrowing of funds.

(17) Post-employment benefits

All regular employees of the Company is entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's parent company only financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(A) the date of the plan amendment or curtailment, and
(B) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Share-based payment transactions

The cost of equity-settled transactions between the Company is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(19) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(A) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
(B) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(A) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
(B) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Company's parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Revenue recognition – royalties

Starting from January 1, 2018:

In accordance with IRFS 15, the Company identifies 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 and recognizes royalty revenue when performance obligations have been satisfied.

Before January 1, 2018:

The Company provides services related to licensing and recognizes revenue if all the following criteria are met:

(A) The amount of the royalty is fixed or non-refundable;
(B) the contract cannot be cancelled;
(C) the authorized party is free to dispose of the relevant rights;
(D) the authorized party is not required to perform other obligations after the delivery of the rights.

If the license agreement does not meet the above conditions simultaneously, royalty income in recognized in a reasonable and systematic manner over the period of time.

(2) Estimating variable consideration

Starting from January 1, 2018:

Implied by the Company's business practices, the Company determines that it expects to provide a price concession. This price concession will depend on the situation of the industry at the time and the customer. The expected value method is used to estimate variable consideration to predict the amount of the consideration that the Company will be entitled to. When the aforementioned method for estimating variable consideration is included in the transaction price, the scope is limited to the accumulated amount of the revenue recognized which is likely to not be significantly reversed in the subsequent period elimination when the uncertainty associated with the contracts are eliminated. The aforementioned method for estimating variable consideration was not applied by the Company before January 1, 2018.

Before January 1, 2018:

The aforementioned method for estimating variable consideration was not applied by the Company before January 1, 2018.

(3) Accounts receivables–estimation of impairment loss

Starting from January 1, 2018:

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before January 1, 2018:

The Company considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2018	2017
Cash on hand & petty cash	$265	$259
Checking and saving accounts	119,695	127,135
Total	$119,960	$127,394

(2) Accounts receivable and Accounts receivable-related parties

	As of December 31,	
	2018	2017
Accounts receivable	$69,777	$57,245
Less: loss allowance	(710)	(710)
Subtotal	69,067	56,535
Accounts receivable from related parties	15,701	24,369
Less: loss allowance	-	-
Subtotal	15,701	24,369
Total	$84,768	$80,904

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 for more details on impairment of trade receivables. The Company adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of accounts receivable and accounts receivable from related parties are as follows: (Please refer to Note 12 for more details on credit risk management.)

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	$-	$538	$538
Charge (reversal) for the current period	-	172	172
As of December 31, 2017	$-	$710	$710

There was no impairment loss arising from the individual assessment of accounts receivable for the year ended December 31, 2017.

Aging analysis of accounts receivable and accounts receivable from related parties that are past due as of the end of the reporting period but not impaired is as follows:

As of	Neither past due nor impaired	Past due but not impaired				Total
		<=30 days	31-120 days	121-365 days	>=365 days	
December 31, 2017	$62,746	$5,089	$3,707	$9,362	$-	$80,904

(3) Prepayment

	As of December 31,	
	2018	2017
Prepaid outsourcing expense	$70,903	$55,412
Other prepayments	2,253	6,610
Total	$73,156	$62,022

(4) Financial assets at fair value through other comprehensive income, noncurrent

	As of December 31,	
	2018	2017 (Note 1)
Equity instrument investments measured at fair value through other comprehensive income, noncurrent:		
Emerging stock		
SNSPLUS, INC.	5,484	
Private companies stocks		
AUER MEDIA & ENTERTAINMENT CORP.	137,247	
TAIWAN SMART CARD CO.	5,480	
DOUBLE EDGE ENTERTAINMENT CORP. (Note 2)	4,793	
FUNFIA INC.	-	
Total	$153,004	

Note 1: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate period periods in accordance with the transition provision in IFRS 9.

Note 2: On April 25, 2018 the board of directors of DOUBLE EDGE ENTERTAINMENT CORP. resolved a capital reduction through by cash. The Company recovered the return of NT$14,380 thousand from capital reduction.

Financial assets at fair value through other comprehensive income were not pledged.

(5) Available-for-sale financial assets

	As of December 31,	
	2018 (Note)	2017
Emerging stock		
SNSPLUS, INC.		$29,282
Valuation adjustment		(18,528)
Total		$10,754

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Available-for-sale financial assets were not pledged.

(6) Financial assets measured at cost

	As of December 31,	
	2018 (Note)	2017
Private companies stocks		
AUER MEDIA & ENTERTAINMENT CORP.		$175,233
TAIWAN SMARTCARD CO.		25,519
DOUBLE EDGE ENTERTAINMENT CORP.		19,173
FUNFIA INC.		6,000
Subtotal		225,925
Less: loss allowance		(39,222)
Total		$186,703

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before January 1, 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

Financial assets measured at cost were not pledged.

(7) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

	As of December 31,			
	2018		2017	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
SOFTSTAR INTERNATIONAL INC.	$59,935	100%	$47,015	100%
Kobe Co., Ltd.	36,921	100%	95,001	100%
Gamebase Digital Media Corporation	3,056	86.67%	11,718	80%
WECOOL GAME CO., LTD.	1,829	100%	14,780	100%
Fairy Palm Inc.	66	51%	-	51%
LOFTSTAR INTERACTIVE ENTERTAIMENT INC.	-	100%	24,877	100%
Softstar Agency Co., Ltd.	-	100%	364	100%
Marsware Entertainment Inc.	-	100%	-	100%
Fantasy Castle Inc.	-	-	-	-
Subtotal	101,807		193,755	
Investments in associates:				
Chia-e International Inc.	10,729	28.21%	13,353	28.21%
A.R.T. Games Co., Ltd.	5,799	49%	3,044	49%
Total	$118,335		$210,152	

Investments accounted for using the equity method presented under other noncurrent liabilities are as follows:

	As of December 31,			
	2018		2017	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	$(8,032)	100%	$-	100%
Marsware Entertainment Inc.	(3,005)	100%	(3,110)	100%
Softstar Agency Co., Ltd.	(512)	100%	-	100%
Fairy Palm Inc.	-	51%	(1,110)	51%
Total	$(11,549)		$(4,220)	

(A) On August 10, 2017, the Company's Board of Directors passed the disposal of Fantasy Castle Inc. 34% shares, losing control of the company. The transaction was completed on August 31, 2017. The disposal price was NT$10,302 thousand, and the disposal gain was NT$11,199 thousand and was recognized under other gains and losses of the consolidated income statement.

(B) During the third quarter of the 2017, the Company invested in Fairy Palm Inc in the amount of NT$200 thousand, totaling 20,000 shares, with a shareholding ratio of 100%. The company is mainly engaged in software publishing and information software services.

(C) During the fourth quarter of 2017, the Company invested in Gamebase Digital Media Corporation in the amount of NT$15,000 thousand, totaling 1,600,000 shares, with a shareholding ratio of 80%. During the second quarter of 2018, the Company increased its capital by NT$10,000 thousand, increasing its shareholding ratio to 86.67%. The company is mainly engaged in game media advertising, game intermodal transport and game virtual point card sales and other related businesses.

(D) The subsidiaries are recognized under "Investment accounted for using the equity method" in the individual financial reports, and the necessary evaluation adjustments are made.

(E) No investments accounted for using the equity method were pledged.

(F) Investment in associates

In March 2017, the Company subscribed for the capital increase of 242,000 shares of Chia-e International Inc., totaling approximately NT$12,221 thousand, recognized as financial assets measured at cost and purchased 154,040 shares for approximately NT$7,779 thousand in June 2017. In June 2017, Chia-e International Inc. converted additional paid-in capital to common stock, resulting in an increase of 417,658 shares. The total investment of the aforementioned in Chia-e International Inc. is 813,698 shares, totaling approximately NT$20,000 thousand, with a shareholding ratio of 28.21%, and is recognized as investments accounted for using the equity method.

The Company subscribed for the capital increase in May 2017 of 245,000 shares of A.R.T. Games Co., Ltd., totaling NT$2,450 thousand and 490,000 shares, totaling NT$4,900, with a shareholding ratio of 49%, respectively.

In June 2018 and November 2018, the Company subscribed for the capital increase of 490,000 shares of A.R.T. Games Co., Ltd., totaling approximately NT$4,900 thousand, with a shareholding ratio of 49%.

The Company's investments in Chia-e International Inc. and A.R.T. Games Co., Ltd. are not individually material. The aggregate carrying amount of the Company's interests in Chia-e International Inc. and A.R.T. Games Co., Ltd. is NT$16,528 thousand and NT$16,397 thousand, as of December 31, 2018 and 2017, respectively. The aggregate financial information of the Company's investments in Chia-e International Inc. and A.R.T. Games Co., Ltd. is as follows:

	For the years ended December, 31	
	2018	2017
Profit or loss from continuing operations	$(7,218)	$(8,503)
Other comprehensive income (post-tax)	-	-
Total comprehensive loss	$(7,218)	$(8,503)

The associates had no contingent liabilities or capital commitments as at December 31, 2018 and 2017. No investments accounted for using the equity method were pledged.

(8) Property, plant and equipment

	Machinery and equipment	Office equipment	Leasehold improvements	Total
Cost:				
As of January 1, 2018	$8,451	$7,170	$13,778	$29,399
Additions	1,610	927	-	2,537
Disposals	-	(1,099)	-	(1,099)
Transfers	(524)	524	-	-
As of December 31, 2018	$9,537	$7,522	$13,778	$30,837
As of January 1, 2017	$8,268	$6,239	$13,569	$28,076
Additions	695	923	209	1,827
Disposals	-	(504)	-	(504)
Transfers	(512)	512	-	-
As of December 31, 2017	$8,451	$7,170	$13,778	$29,399
Depreciation and impairment:				
As of January 1, 2018	$4,407	$3,853	$4,468	$12,728
Additions	1,628	1,124	1,980	4,732
Disposals	-	(894)	-	(894)
Transfers	(631)	631	-	-
As of December 31, 2018	$5,404	$4,714	$6,448	$16,566
As of January 1, 2017	$3,786	$2,517	$2,509	$8,812
Additions	1,372	1,070	1,959	4,401
Disposals	-	(485)	-	(485)
Transfers	(751)	751	-	-
As of December 31, 2017	$4,407	$3,853	$4,468	$12,728
Net carrying amount as of:				
December 31, 2018	$4,133	$2,808	$7,330	$14,271
December 31, 2017	$4,044	$3,317	$9,310	$16,671

Property, plant and equipment were not pledged.

(9) Intangible assets

	Trademarks	Computer software	Total
Cost:			
As of January 1, 2018	$3,951	$39,316	$43,267
Addition-acquired separately	-	2,307	2,307
Deduction-derecognized	-	(10,116)	(10,116)
As of December 31, 2018	$3,951	$31,507	$35,458
As of January 1, 2017	$3,667	$28,665	$32,332
Addition-acquired separately	284	10,651	10,935
As of December 31, 2017	$3,951	$39,316	$43,267
Amortization and impairment:			
As of January 1, 2018	$2,305	$26,991	$29,296
Amortization	1,646	8,330	9,976
Deduction-derecognized	-	(10,116)	(10,116)
As of December 31, 2018	$3,951	$25,205	$29,156
As of January 1, 2017	$1,808	$22,902	$24,710
Amortization	497	4,089	4,586
As of December 31, 2017	$2,305	$26,991	$29,296
Net carrying amount as of:			
December 31, 2018	$-	$6,302	$6,302
December 31, 2017	$1,646	$12,325	$13,971

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended December, 31	
	2018	2017
Operating costs	$-	$-
Research and development expenses	$2,244	$1,150
General and administrative	$7,732	$3,436

(10) Short-term borrowings

		As of December 31,	
	Interest Rate (%)	2018	2017
Unsecured bank loans	2.30%	$30,000	$-

The Company's did not have short-term lines of credits amounts as of December 31, 2018 and 2017, respectively.

(11) Other payables

	As of December 31,	
	2018	2017
Salary payable	$24,250	$22,057
Professional service fees payable	2,067	2,000
Insurance payable	1,628	1,609
Advertising payable	-	42
Other accrued expenses payable	11,036	2,617
Total	$38,981	$28,325

(12) Other current liabilities

	As of December 31,	
	2018	2017
Advance royalty (Note 1)	(Note 3)	$101,210
Deferred revenue (Note 2)	(Note 3)	633
Other	$1,075	1,062
Total	$1,075	$102,905

Note 1: Advance royalty is mainly from game licensing and revenue is allocated over a reasonable allocation period.

Note 2: Deferred revenue relates to virtual items and game point card revenue. Virtual items revenue is allocated in accordance with the expected lifetimes of the virtual items.

Note 3: The Company adopted IFRS 15 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 15.

(13) Long-term borrowings

Details of long-term loans are as follows:

Lenders	As of December 31, 2018	Interest Rate (%)	Maturity date and terms of repayment
Hua Nan Bank credit loan	$1,250	2.5%	Repayable monthly from February 20, 2017 to February 20, 2019. Interest paid monthly.
Taiwan Business Bank credit loan	13,000	2.2%	Repayable quarterly from March 16, 2017 to March 16, 2022. Interest paid monthly.
Chang Hwa Bank credit loan	10,000	2.26%	Repayable quarterly from April 13, 2017 to April 13, 2020. Interest paid monthly.
Taiwan Cooperative Bank credit loan	12,019	2.28%	Repayable monthly from May 25, 2017 to May 25, 2020. Interest paid monthly.
Taiwan Business Bank credit loan	28,333	2.2%	Repayable monthly from October 23, 2018 to October 23, 2021. Interest paid monthly.
Bank of Kaohsiung credit loan	20,000	2.2%	Repayable monthly from December 19, 2018 to December 19, 2021. Interest paid monthly.
Subtotal	84,602		
Less: current portion	(36,881)		
Total	$47,721		

Lenders	As of December 31, 2017	Interest Rate (%)	Maturity date and terms of repayment
Hua Nan Bank credit loan	$8,750	2.5%	Repayable monthly from February 20, 2017 to February 20, 2019. Interest paid monthly.
Taiwan Business Bank credit loan	17,000	2.2%	Repayable quarterly from March 16, 2017 to March 16, 2022. Interest paid monthly.
Chang Hwa Bank credit loan	16,666	2.26%	Repayable quarterly from April 13, 2017 to April 13, 2020. Interest paid monthly.
Taiwan Cooperative Bank credit loan	20,272	2.28%	Repayable monthly from May 25, 2017 to May 25, 2020. Interest paid monthly.
Subtotal	62,688		
Less: current portion	(26,420)		
Total	$36,268		

Please refer to Note 8 for more details on pledged long-term borrowings.

(14) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, and the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employee's monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 are NT$5,189 thousand and NT$5,209 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor standards Act, The Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. At the end of each year, if the balance in the designated labor pension reserve funds is inadequate to cover the benefit estimated to be paid in the following year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March in the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the regulations for revenues, expenditures, safeguard and utilization of the labor retirement fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$589 thousand to its defined benefit plan during the 12 months after December 31, 2018.

The average-weighted duration of the defined benefits plan obligation as at December 31, 2018 and 2017, are 13 years and 14 years.

Pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017:

	For the years ended December 31,	
	2018	2017
Current period service costs	$361	$644
Interest income or expense	223	261
Total	$584	$905

Reconciliation of present value of the pension obligation under defined benefit pension plans and fair value of the plan assets are as follows:

	As of		
	December 31, 2018	December 31, 2017	January 1, 2018
Present value of the pension obligation under defined benefit pension plans	$38,906	$36,312	$45,381
Fair value of plan assets	(17,678)	(17,727)	(27,950)
Net defined benefit liabilities, noncurrent	$21,228	$18,585	$17,431

Reconciliation of liability (asset) of the defined benefit plan are as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2017	$45,381	$(27,950)	$17,431
Current period service costs	644	-	644
Net interest expense (income)	680	(419)	261
Subtotal	1,324	(419)	905
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	1,409	-	1,409
Experience adjustments	(748)	111	(637)
Subtotal	661	111	772
Payments from the plan	(11,054)	11,054	-
Contributions by employer	-	(523)	(523)
As of December 31, 2017	36,312	(17,727)	18,585
Current period service costs	361	-	361
Net interest expense (income)	436	(213)	223
Subtotal	797	(213)	584
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	957	-	957
Experience adjustments	2,366	(738)	1,628
Subtotal	3,323	(738)	2,585
Payments from the plan	(1,526)	1,526	-
Contributions by employer	-	(526)	(526)
As of December 31, 2018	$38,906	$(17,678)	$21,228

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2018	2017
Discount rate	1.00%	1.20%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as of December 31, 2018 and 2017 is, as shown below:

	2018		2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	$-	$(1,191)	$-	$(1,178)
Discount rate decrease by 0.25%	1,237	-	1,226	-
Future salary increase by 0.25%	1,124	-	1,121	-
Future salary decrease by 0.25%	-	(1,090)	-	(1,086)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(15) Equities

(A) Common stock

The Company’s authorized capital was NT$1,000,000 thousand and issued capital was NT$477,945 thousand and NT$478,313 as at December 31, 2018 and 2017, respectively, each at a par value of NT$10. Each share has one voting right and a right to receive dividends.

On April 30, 2015, the shareholders' meeting of the Company approved the issuance no more than 10,000 thousand shares of common stock through private placement issuance. The subscription price of the private placement common stock was NT$84.61 per share, totaling 2,000 thousand shares. The private placement date was March 25, 2016. The capital increase by cash is for the purpose of enriching working capital and repaying bank loans. The Company received NT$169,220 thousand through private placement issuance and has completed registration for change. Apart from the fact that private placement common stock are subject to the Securities and Exchange Act’s restrictions of transfer and must reapply for public offering after three years for public transaction, the remaining rights and obligations are the same as other issued common stock.

On April 30, 2015, the shareholders’ meeting of the Company resolved to issue 600 thousand shares of restricted employee stock and the grant price is 0. The rights and obligations of the issuance of ordinary shares are the same as those of other issued ordinary shares, except for the transfer rights in which employees must first reach the vested conditions. The new share issuance has been declared effective by the Financial Supervisory Commission on July 28, 2015.

On August 4, 2017, in order to maintain the Company's credit and shareholders’ rights and interests, the Company’s board of directors approved to repurchase the Company’s common stock in the open market, and on November 10, 2017, in accordance with the Company Act, the Company cancelled 322 common shares of treasury stock, totaling NT$25,736 thousand. The registration for change has been completed.

On June 29, 2018, the shareholders’ meeting of the Company approved the issuance of common stock through private placement issuance. The total number of shares issued by private placement issuance is no more than 10 million shares, and the par value of each share is NT$10. It is expected to be issued three times within one year from the Annual Meeting of Shareholders date of resolution.

On November 1, 2018, the provisional shareholders’ meeting of the Company approved the issuance of an additional 1,500 thousand shares of restricted employee stock and the grant price is 0. The rights and obligations of the issuance of ordinary shares are the same as those of other issued ordinary shares, except for the transfer rights in which employees must first reach the vested conditions. The new share issuance has been declared effective by the Financial Supervisory Commission on November 21, 2018.

For the years ended December 31, 2018 and 2017, the Company redeemed and cancelled 37 thousand shares and 40 thousand shares of issued restricted stocks for employees, respectively, respectively.

(B) Capital surplus

	As of December	
	2018	2017
Additional Paid-in Capital	$20,492	$12,954
Increase (decrease) through changes in ownership interests in subsidiaries	1,205	2,532
Restricted employee stock	157,500	9,688
Total	$179,197	$25,174

According to the Company Act, the capital reserve shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the pay value of capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(C) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Payment of all taxes and dues;
(b) Offset prior years' operation losses;
(c) Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
(d) Set aside or reverse special reserve in accordance with law and regulations; and
(e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The company's dividend distribution adopts conservatism principle, and stock dividend as priority. If there is a surplus, it will be distributed to shareholders as cash dividends, but the ratio of cash dividend distribution is not higher than 50% of the total dividend distribution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

In accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865 and「Applicable question and answer for the provision of special reserves after the adoption of International Financial Reporting Standards (IFRSs)」, the Company makes provisions and reverses special reserves.

The general shareholders' meeting approved the appropriation of profit or loss on June 22, 2017, reducing additional paid-in capital by NT$136,074 thousand. After the compensation, retained earnings was amounted to NT$0.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved by the board of director's and shareholder's meeting on March 19, 2019 and June 29, 2018, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2018	2017	2018	2017
Legal reserve	$12,657	$1,824	$-	$-
Special reserve	113,909	15,648	-	-

Please refer to Note 6(20) for details on employees' compensation and remuneration to directors and supervisors.

(16) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(A) The Company issued restricted employee stock in 2015. The share-based payment agreement is as follows:

Type of grant	Date of grant	Total numbers of options granted (unit)	Contract period	Vesting Conditions
Restricted employee stock plan (Note 1)	August 11, 2015	600,000	3 years	Achievement of performance conditions (Note 2)

Note 1: The restricted employee stock issued by the Company are not transferable during the period, but they do not restrict voting rights and included in the distribution of dividends. Employees who leave during the vested period are required to return the shares but the the dividends obtained is not required to return.

Note 2: Once employees are entitled to the restricted employee stock, if the individual performance is in line target performance set by the company, the cumulative maximum share vested is 40%, 30% and 30% through one to three years.

The following table contains further detail on the aforementioned share-based payment plan:

	For the years ended December 31,	
	2018	2017
Number of restricted employee stock (in thousands)		
Outstanding at beginning of year	546	586
Granted	-	-
Expired	(37)	(40)
Outstanding at end of year	509	546

For the years ended December 31, 2018 and 2017, the Company redeemed and cancelled 37 thousand shares and 40 thousand shares of issued restricted stocks for employees, respectively without compensation in accordance with the issuance regulations. The capital reserve of NT$2,150 thousand and NT$2,361 thousand that arose was also reversed.

(B) The Company applied for an additional issuance of restricted employee stock in 2018 to be issued in 2019. The share-based payment agreement is as follows:

Type of grant	Date of grant	Total numbers of options granted (unit)	Contract period	Vesting Conditions
Restricted employee stock plan (Note 1)	December 5, 2018	1,5000,000	28 months	Achievement of performance conditions (Note 2)

Note 1: The restricted employee stock issued by the Company are not transferable during the period, but they do not restrict voting rights and included in the distribution of dividends. Employees who leave during the vested period are required to return the shares without the need to return the dividends obtained.

Note 2: Once employees are entitled to the restricted employee stock, if the individual performance is in line target performance set by the company, the cumulative maximum share vested is 40%, 30% and 30% through one to three years.

(C) The expenses recognized for employee services received for the years ended December 31, 2018 and 2017, are shown in the following table:

	For the years ended December 31,	
	2018	2017
Total expense arising from equity-settled share-based payment transactions	$-	$7,686

(17) Operating revenue

	For the years ended December 31,	
	2018 (Note)	2017
Revenue from contracts with customers		
Rendering of service revenue	$547,106	$353,406

Note: The Company has adopted IFRS 15 from January 1, 2018. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application.

The Company has adopted IFRS 15 from January 1, 2018. Analysis of revenue from contracts with customers during the year is as follows:

(A) Disaggregation of revenue

For the year ended December 31, 2018

Timing of revenue recognition:	
At a point in time	$190,546
Over time	356,560
Total	$547,106

(B) Contract balances

Net contract assets (liabilities) are as follows:

	Ending balance	Beginning balance	Difference	%
Contract assets, current	$37,640	$6,737	$30,903	459%
Contract assets, noncurrent	65,231	11,964	53,267	445%
Contract liabilities, current	(13,975)	(8,732)	(5,243)	60%
Net contract assets	$88,896	$9,969	$78,927	

Net contract assets increased by NT$78,927 thousand from December 31,2017 to December 31,2018 was mainly due to the recognition of contractual assets from film and television licensing.

(C) Transaction price allocated to unsatisfied performance obligations

The Company’s transaction price allocated to unsatisfied performance obligations amounted to NT$13,975 as at December 31, 2018. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue in 1 to 3 years.

(18) Expected credit losses/ (gains)

	For the years ended December 31,	
	2018	2017 (Note)
Operating expenses – Expected credit losses/(gains)		
Contract assets	$6,973	Note
Accounts receivable	2,908	
Total	$9,881	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The credit risk for the Company’s measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses (loss ratio of 0%).

The Company measures the loss allowance of its contract assets and trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Company’s loss allowance as at December 31, 2018 is as follows:

(A) the gross carrying amount of contract asset is NT$102,871 thousand, its loss allowance amounting to NT$0 which is measured at expected credit loss ratio of 0%.

(B) the Company considers the Companying of trade receivables by counterparties’ credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

	Not yet due	Overdue				
	(Note)	<=30 days	31-120 days	121-365 days	>=365 days	Total
Gross carrying amount	$79,428	$252	$2,431	$3,367	$-	$85,478
Loss ratio	-%	1.19%	1.97%	19.57%	100%	
Lifetime expected credit losses	-	(3)	(48)	(659)	-	(710)
Total	$79,428	$249	$2,383	$2,708	$-	$84,768

Note: The Company’s notes receivable are not overdue.

The movement in the provision for impairment of contract assets and accounts receivable during the December 31, 2018 is as follows:

	Contract Assets	Accounts Receivable
Beginning balance (in accordance with IAS 39)	$-	$710
Transition adjustment to retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	710
Addition/(reversal) for the current period	6,973	2,908
Write off	(6,973)	(2,908)
Ending balance	$-	$710

Please refer to Note 12 for further details on credit risk.

(19) Operating leases

The Company has entered into commercial leases on property and equipment such as offices. These leases have an average life of one to five years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2018 and 2017 are as follows:

	As of December 31,	
	2018	2017
Not later than one year	$22,340	$18,984
Later than one year and not later than five years	32,334	43,021
Later than five years	-	-
Total	$54,674	$62,005

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2018	2017
Minimum lease payments	$18,339	$17,112

(20) Summary statement of employee benefits, depreciation and amortization expense by function during the years ended December 31, 2018 and 2017:

	For the years ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating Costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$-	$98,805	$98,805	$-	$90,387	$90,387
Labor and health insurance	-	9,797	9,797	-	10,062	10,062
Pension	-	5,773	5,773	-	6,114	6,114
Directors' remuneration	-	3,067	3,067	-	957	957
Other employee benefits expense	-	6,974	6,974	-	7,090	7,090
Depreciation	-	4,732	4,732	-	4,401	4,401
Amortization	-	9,976	9,976	-	4,586	4,586

According to the Articles of Incorporation, no less than 3% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit for the year ended December 31, 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 to be 5% of profit of the current year and 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 amount to NT$6,484 thousand and NT$1,297 thousand, respectively. A resolution was passed at a Board of Directors meeting held on March 19, 2019 to distribute NT$6,580 thousand and NT$1,316 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2018, respectively.

A resolution was passed at a Board of Directors meeting held on March 19, 2018 to distribute NT$1,726 and NT$0 in cash as employees' compensation and remuneration to directors and supervisors of 2017, respectively, whereas the estimated amount accrued in the financial statements for the year ended December 31, 2017 were NT$1,551 and NT$0, respectively. Differences between the estimated amount and the resolution amount of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2017 of NT$175 thousand and NT$0, respectively are recognized in profit or loss of the subsequent year in 2018.

The number of employees for the Company as of December 31, 2018 and 2017 was 128 and 121, respectively, of which the number of directors were not concurrent employees was 6 and 6, respectively.

(21) Non-operating income and expenses

(A) Other income

	For the years ended December 31,	
	2018	2017
Interest income	(Note)	$220
Financial assets measured at amortized cost	$407	(Note)
Dividend income	1,131	-
Other income	2,106	1,419
Total	$3,644	$1,639

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(B) Other gains and losses

	For the years ended December 31, 2018	2017
Losses on disposal of property, plant and equipment	$41	$15
Gains (losses) on disposal of investments	-	11,199
Foreign exchange losses, net	(2,295)	(2,652)
Impairment losses	-	(15,085)
Total	$(2,254)	$(6,523)

(C) Finance costs

	For the years ended December 31, 2018	2017
Interest on borrowings from bank	$1,383	$1,590

(22) Components of other comprehensive loss

For the year ended December 31, 2018:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive loss, before tax	Income tax relating to components of other comprehensive loss	Other comprehensive loss, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(2,585)	$-	$(2,585)	$-	$(2,585)
Unrealized gains or losses from financial assets at fair value through other comprehensive loss	(30,073)	-	(30,073)	-	(30,073)
Share of unrealized gains or losses from financial assets at fair value through other comprehensive loss of associates and joint ventures accounted for using the equity method	(58,016)	-	(58,016)	-	(58,016)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(433)	-	(433)	-	(433)
Total of other comprehensive loss	$(91,107)	$-	$(91,107)	$-	$(91,107)

For the year ended December 31, 2017:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive loss, before tax	Income tax relating to components of other comprehensive loss	Other comprehensive loss, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(772)	$-	$(772)	$-	$(772)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(803)	-	(803)	-	(803)
Unrealized share of unrealized of associates and joint ventures accounted for using the equity method	(19,779)	-	(19,779)	-	(19,779)
Share of unrealized gains or losses from available-for-sale financial assets of associates and joint ventures accounted for using equity method	(3,698)	-	(3,698)	-	(3,698)
Total of other comprehensive loss	$(25,052)	$-	$(25,052)	$-	$(25,052)

(23) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company’s applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense for 2018 and 2017 are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2018	2017
Current income tax expense:		
Current income tax charge	$39,469	$14,724
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(3,477)	-
Total income tax expense	$35,992	$14,724

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2018	2017
Accounting profit before tax from continuing operations	$123,815	$32,968
Tax at the domestic rates (20% for 2018 and 17% for 2017) applicable to profits in the country concerned	$24,763	$5,605
Tax effect of revenues exempt from taxation	(226)	(1,648)
Tax effect of deferred tax assets/liabilities	(28,014)	(3,957)
Overseas withholding tax	39,469	14,724
Total income tax expense recognized in profit or loss	$35,992	$14,724

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Recognized in profit or loss	Ending balance as of December 31, 2018
Temporary differences			
Unrealized bad debt expense	$-	$142	$142
Unrealized foreign exchange losses	-	365	365
Unused vacation bonus	-	(593)	(593)
Unrealized sales return gross profit	-	(11)	(11)
Defined benefit liability, non-current	-	3,574	3,574
Deferred tax income/ (expense)		$3,477	
Net deferred tax assets/(liabilities)	$-		$3,477
Reflected in balance sheet as follows:			
Deferred tax assets	$-		$4,081
Deferred tax liabilities	$-		$604

The information of the unused tax losses is as follows:

Year	Tax losses for the period	Unused tax losses As of December 31, 2018	Unused tax losses As of December 31, 2017	Expiration year
2008	$108,758	$-	$16,174	2018
2010	55,785	-	55,785	2020
2011	66,462	-	66,462	2021
2012	82,588	-	82,588	2022
2013	4,226	-	4,226	2023
2014	15,029	-	15,029	2024
		$-	$240,264	

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets have not been recognized in respect of unused tax losses and deductible temporary differences amounting to NT$58,089 thousand and NT$110,249 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As at December 31, 2018, the income tax returns of the Company have been assessed and approved up to 2016.

(24) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31, 2018	For the years ended December 31, 2017
(A) Basic earnings per share		
Net income attributable to ordinary equity holders of the Company (in thousand NT$)	$87,823	$18,244
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	47,708	47,771
Basic earnings per share (NT$)	$1.84	$0.38

	For the years ended December 31, 2018	For the years ended December 31, 2017
(B) Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$87,823	$18,244
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	47,708	47,771
Effect of dilution:		
Restricted employee stock	10	147
Weighted average number of ordinary shares outstanding after dilution (in thousands)	47,718	47,918
Diluted earnings per share (NT$)	$1.84	$0.38

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Global Angel Investments Limited	The director of the Company is the director of this company
DOUBLE EDGE ENTERTAINMENT CORP.	The Company is the director of this company
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Subsidiary
Perfecten Corporation	Subsidiary
PERFECT TEN INTERNATIONAL LIMITED (Note1)	Subsidiary
Marsware Entertainment Inc.	Subsidiary
Softstar Agency Co., Ltd.	Subsidiary
SOFTSTAR CREATIVE INC.	Subsidiary
Kobe Co., Ltd.	Subsidiary
Fairy Palm Inc.	Subsidiary
Gamebase Digital Media Corporation	Subsidiary
SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Subsidiary

Name of the related parties	Nature of relationship of the related parties
A.R.T. Games Co., Ltd.	Associate
The Playground Investment Limited, Taiwan Branch	The key management personnel of the subsidiary of the Company is chairman of this company
NEWCROSS CO., LTD.	The director of the Company and the director of this company are second-degree relatives
Bakesi Wine Group Co., Ltd.	The director of the Company is the chairman of this company
TOKYO FASHION CO., LTD.	The director of the Company and the director of this company are second-degree relatives
Oriental Golden Richness LTD.	The director of the Company is the chairman of this company
NEWLOGISTICS CO., LTD.	The director of the Company and the director of this company are second-degree relatives
FUNFIA INC.	The key management personnel of the subsidiary of the Company is the person in charge of this company

Note1: To integrate resources, PERFECT TEN INTERNATIONAL returned its capital on March 22, 2018 and finalized its liquidation on August 10, 2018.

Significant transactions with the related parties

(1) Rendering of services

	For the years ended December 31,	
	2018	2017
Subsidiary		
LOFTSTAR INTERACTIVE ENTERAINMENT INC.	$24,020	$119,557
Others	25	537
Other related parties		
The Playground Investment Limited, Taiwan Branch	16,964	-
Others	-	2,733
Total	$41,009	$122,827

The sales price to the above related parties was determined through mutual agreement. The collection period from sales to the related party customers are 30~60 days, which is the same with third party customers.

(2) Operating costs

	For the years ended December 31,	
	2018	2017
Subsidiary		
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	$5,388	$9,104
Perfecten Corporation	1,553	4,456
Other related parties		
A.R.T. Games Co., Ltd.	4,286	-
Total	$11,227	$13,560

Operating costs relate to subsidiary database fees and royalty costs.

(3) Accounts receivable-related parties

	As of December 31,	
	2018	2017
Subsidiary		
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	$10,540	$24,216
Others	-	153
Other related parties	5,161	-
Total	$15,701	$24,369

(4) Other receivables-related parties

	As of December 31,	
	2018	2017
Subsidiary		
Marsware Entertainment Inc.	$7,533	$7,656
Softstar Agency Co., Ltd.	1,657	533
Others	1,940	1,164
Other related parties	181	-
Total	$11,311	$9,353

Other receivables – related parties relates to subsidiary assistance of daily operations.

(5) Prepayment-related parties

	As of December 31,	
	2018	2017
Subsidiary		
Fairy Palm Inc.	$-	$11,429
Other related parties		
A.R.T. Games Co., Ltd.	1,905	-
FUNFIA INC.	2,022	-
Total	$3,927	$11,429

Prepayment-related parties relates to game outsourcing costs.

(6) Accounts payable-related parties

	As of December 31,	
	2018	2017
Subsidiary		
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	$1,421	$1,581

(7) Other payables – related parties

	As of December 31,	
	2018	2017
Subsidiary		
SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	$2,849	$-

(8) Other current liabilities – advance receipts

	As of December 31,	
	2018	2017
Other related parties	$-	$3,053

Other current liabilities – advance receipts relates to royalty revenue.

(9) Other

Other transactions between the Company and subsidiaries are shown below:

Item	For the years ended December 31, 2018	2017
Advertising fee	$-	$11
Professional service fee	85,056	6
Miscellaneous expenses	177	150
Total	$85,233	$167

Other transactions between the Company and other related parties are shown below:

Item	For the years ended December 31, 2018	2017
Professional service fee	$2,143	$-

(10) Endorsements and guarantee

The Company provided endorsement/ guarantee to subsidiaries on requirement, please refer to attachment 2 for details.

(11) Key management personnel compensation

	For the years ended December 31, 2018	2017
Short–term employee benefits	$23,614	$22,602
Post–employment benefits	634	590
Share–based payment	-	2,267
Other long–term benefits	754	725
Total	$25,002	$26,184

8. Assets pledged as security

The following table lists assets of the Company pledged as security:

	Carrying amount		
Items	December 31, 2018	December 31, 2017	Secured liabilities
Other financial assets, current	$43,641	$6,022	Short - term borrowings and time deposits pledge
Other financial assets, noncurrent	23,000	16,750	Long - term borrowings and demand deposits pledge
Total	$66,641	$22,772	

9. Commitments and contingencies

On April 25, 2018, the Company's board of directors approved the capital increase plan for SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING), a subsidiary of the Company, is seeking to increase its capital in order to introduce long-term partners. All of the shares have been subscribed by CMGE TECHNOLOGY COMPANY LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Company. The total amount of capital injection is RMB$213,000 thousand. After the capital injection, CMGE holds a 51% shares in SOFTSTAR BEIJING. The Company holds a 49% shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC., and the Company will waive the right to subscribe shares this time. The Company will recognize the losses and gains on disposal of investment, but the profit or loss impact will to be assessed upon completion.

As several terms in the agreement changed, Supplementary Agreement(I) was signed on May 28, 2018. The main details are as follows:

(1) CMGE waives part of the settlement terms in the Supplemental Agreement(I), therefore the settlement terms have already been met or waived on the date of the Supplemental Agreement(I).

(2) CMGE shall, within three working days after the signing of the Supplemental Agreement(I), instruct China Mobile Games and its affiliate Entertainment Company Limited Shenzhen, to wire transfer five percent of the subscription amount to the designated bank account of SOFTSTAR BEIJING as a performance deposit indicating that CMGE will fulfill the share subscription agreement and Supplemental Agreement(I).

(3) SOFTSTAR BEIJING shall send a written notice to CMGE after the capital increase, completion of the registration for change and filing for restatement of the articles of association and the change of directors and other personnel, filing at the Ministry of Commerce, foreign exchange registration and filing (collectively, “registration and filing”). CMGE shall wire transfer 100% of the subscription price to SOFTSTAR BEIJING’s bank account within 30 working days after receiving the aforementioned written notice from SOFTSTAR BEIJING. If CMGE fails to pay the full subscription price within 60 working days in accordance with this Supplemental Agreement(I), the original shareholder SOFTSTAR ENTERTAINMENT INC. and SOFTSTAR BEIJING shall have the right to cancel the transaction and request to resume the original status before the proposed transaction, and to confiscate the performance deposit received.

On January 30, 2019, CMGE and SOFTSTAR BEIJING signed Supplementary Agreement(II). The main details are as follows:

(1) CMGE shall instruct China Mobile Games and Entertainment Company Limited Shenzhen to pay a guarantee deposit of RMB$10,000 thousand before February 25, 2019 (with guarantee deposit of RMB$10,650 thousand received mentioned in Supplementary Agreement(I), total security deposits amounted to RMB$20,650 thousand), indicating that CMGE will fulfill the original share subscription agreement and Supplemental Agreement(II).

(2) CMGE shall pay the remaining amount before March 31, 2019. If the payment is not completed as scheduled, CMGE shall designate its affiliates and all parties to re-sign the share subscription agreement. If the new agreement is not signed before the deadline, but CMGE has remitted the total share purchase price, the capital increase will still be deemed complete.

(3) If CMGE fails to complete the payment before the deadline, or fails to re-sign the share subscription agreement with the parties on the date of the deadline, then the shareholders of SOFTSTAR BEIJING, SOFTSTAR ENTERTAINMENT INC. has the right to cancel the transaction documents. Changes in transaction documents and registration for change of business and industry should be returned to their original status.

CMGE remitted the performance deposit of RMB$10,000 thousand on February 25, 2019. Although under Mainland China’s Company Act, CMGE has a 51% equity interest in Softstar Beijing, CMGE will only obtain substantial control over SOFTSTAR BEIJING after it completes payment and the equity transaction. As at the reporting date, the Company's capital increase has not been completed.

10. Loss due to major disasters

None.

11. Significant subsequent events

On November 1, 2018, the shareholders' meeting of the Company resolved to issue 1,500 thousand shares of restricted employee stock for NT$15,000 thousand. The issuance period shall be within one year from the date of the notification of the effective date of application. The shares of restricted employee stock were issued on January 5, 2019.

12. Others

(1) Categories of financial instruments

Financial assets	As of December 31,	
	2018	2017
Financial assets at fair value through other comprehensive income	$153,004	(Note 1)
Available-for-sale financial assets (including measured at cost financial assets)	(Note 1)	$197,457
Financial assets measured at amortized cost (Note 2)	288,249	(Note 1)
Loans and receivables (Note 2)	(Note 1)	245,815
Total	$441,253	$443,272

Financial liabilities	As of December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term borrowings	$30,000	$-
Accounts payable	101,260	75,333
Long-term borrowings (including current portion)	84,602	62,688
Total	$215,862	$138,021

Note:

1) The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in acutance with the transition provision in IFRS 9.
2) Including cash and cash equivalents (exclude cash on hand), accounts receivable, accounts receivable-related parties, other receivables – related parties, other financial assets, current, refundable deposits, and other financial assets, noncurrent.

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency A and foreign currency B. The information of the sensitivity analyses as follows:

(A) When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended December 31, 2018 and 2017 is increased/(decreased) by NT$55 thousand and NT$89 thousand, respectively.

(B) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2018 and 2017 is increased/(decreased) by NT$1,528 thousand and NT$506 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial asset at fair value through other comprehensive income (available-for-sale financial assets in 2017). The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

As of December 31, 2017, an increase/decrease of 10% in the price of the listed equity securities classified as available-for-sale could have an impact of NT$1,075 thousand on the equity attributable to the Company.

As of December 31 2018, an increase/decrease of 10% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$548 thousand on the equity attributable to the Company.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2018, and December 31, 2017, accounts receivable and contract assets from top ten customers represent 77% and 67% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivable is relatively insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2018					
Short-term borrowings	$30,284	$-	$-	$-	$30,284
Accounts payable (including other payables)	101,260	-	-	-	101,260
Long-term borrowings (including estimated interest)	37,743	47,717	1,022	-	86,482

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2017					
Accounts payable (including other payables)	$75,333	$-	$-	$-	$75,333
Long-term borrowings (including estimated interest)	27,138	31,928	5,110	-	64,176

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2018:

	Short-term borrowings	Long-term borrowings (including current portion)	Total liabilities from financing activities
As of January 31, 2018	$-	$62,688	$62,688
Cash flows	30,000	21,914	51,914
As of December 31, 2018	$30,000	$84,602	$114,602

Reconciliation of liabilities for the year ended December 31, 2017: Not applicable

(7) Fair values of financial instruments

(A) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method or income approach valuation techniques. The market method valuation is based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities). The income method is based on the estimated recoverable amount of the present value of similar financial assets that are expected to be received from cash dividends or disposals of investments.

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(B) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company’s financial assets and financial liabilities measured at amortized cost is approximate their fair value.

(C) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

(A) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(B) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$5,484	$-	$147,520	$153,004

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Stock	$10,754	$-	$-	$10,754

Transfers between Level 1 and Level 2 during the period

During the years ending December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	Measured at fair value through other comprehensive income
	Stocks
Beginning balances as of January 1, 2018	$186,703
Total gains and losses recognized for the year ended December 31, 2018	
Amount recognized in OCI (presented in "Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	(24,803)
Capital reduction and return of stock for the year ended December 31, 2018	(14,380)
Ending balances as of December 31, 2018	$147,520

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Income approach	Discount for lack of marketability	16%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT$14,752 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

(Expressed in thousands)

	December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$178	30.77	$5,484
RMB	34,170	4.47	152,807

(Expressed in thousands)

	December 31, 2017		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$299	29.80	$8,898
NTD	11,096	4.56	50,655

The above information is disclosed based on the carrying amount of foreign currency (after conversion of functional currency).

The Company has a variety of functional currencies, therefore the monetary impact on financial assets and liabilities impact for each individual currency cannot be disclosed. For the year ended December 31, 2018 and 2017, foreign exchange losses were NT$2,295 thousand and NT$2,652 thousand, respectively.

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional disclosure

(1) Information at significant transactions

(A) Financing provided to other: Please refer to Attachment 1.
(B) Endorsement/Guarantee provided to others: Please refer to Attachment 2.
(C) Securities held (excluding subsidiaries, associates and joint venture): Please refer to Attachment 3.
(D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(E) Acquisition of individual real estate with amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(F) Disposal of individual real estate with amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(G) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million and 20 percent of the capital stock: None.
(H) Receivables from related parties with amounts exceeding the lower of NT$100 million and 20 percent of capital stock: None.
(I) Financial instruments and derivative transactions: None.
(J) Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions: Please refer to Attachment 4.

(2) Information on investees

Names, locations, and other information (excluding investment in Mainland China): Please refer to Attachment 5.

(3) Information on investments in mainland China

(A) Basic information: Please refer to Attachment 6.
(B) Directly or indirectly significant transactions through third regions with the investees in Mainland China: Please refer to Attachment 4.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

ATTACHMENT 1: Financing provided to others for the year ended December 31, 2018

No. (Note 1)	Name of financing provider	Name of counterparty	Account	Related party	Maximum balance for the period (Note 5)	Ending balance (Note 6)	Actual amount provided	Interest rate	Nature of financing activity (Note 2)	Amount of sales to (purchase from) counterparty	Reason for financing	Loss Allowance	Assets pledged		Limit of financing amount for individual counterparty (Note 5)	Limit of total financing amount (Note 5)	Note
													Item	Value			
1	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD	STAR (BEIJING) TECHNOLOGY CO., LTD.	Other receivables-related parties	Y	$2,950	$2,503	$2,503	1.75%~3.25%	2	$-	Operating	$-	None	$-	$8,940	$13,410	Note7
2	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	STAR (BEIJING) TECHNOLOGY CO., LTD.	Other receivables-related parties	Y	447	447	447	2.88%	2	-	Operating	-	None	-	22,350	26,820	Note8
2	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	Other receivables-related parties	Y	6,258	4,917	4,917	2.88%~3.25%	2	-	Operating	-	None	-	22,350	26,820	Note8
2	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Other receivables-related parties	Y	16,986	16,986	16,986	2.25%	2	-	Operating	-	None	-	22,350	26,820	Note8
3	SOFTSTAR INTERNATIONAL INC.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Other receivables-related parties	Y	19,968	19,968	-	1.75%	2	-	Operating	-	None	-	61,440	92,160	Note9
3	SOFTSTAR INTERNATIONAL INC.	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Other receivables-related parties	Y	30,720	30,720	18,432	1.75%	2	-	Operating	-	None	-	61,440	92,160	Note9

Note 1: The parent company is coded "0" and the subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: If the nature of the financing provided is for business transactions fill in "1", those who have short-term financing funds necessity fill in "2".

Note 3: The financing amount shall not exceed the transaction amount between the lender and the counterparty for companies with transactions and shall not exceed 40% net worth of the Company. Individeal financial amount not exceed 10% net worth of the Company.

The term "business transaction amount" refers to the highest amount of purchase or sales in the latest year or the current year between the two parties; the short-term financing amount and the total amount are limited to 40% of the company's net value;

The individual financing amount is limited to 10% of the company's net value.

The amount of the individual financing amounts by the Company to 100% directly and indirectly held foreign companies with voting rights are not subject to the above restrictions, but the accumulated balance shall not exceed the company's net value.

Note 4: It is converted according to the exchange rate on the balance sheet date of December 31, 2018.

Note 5: The maximum financing amount for the year.

Note 6: If public companies propose financing provided to others to the Board of Directors under the Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies, they should still state ending balances approved by the Board of Directors to disclose the risk taken. When the capital is repaid, the amount of repayment should be disclosed to reflect the adjusted risk. If public companies authorize the director to revolve credit under certain limit approved by the Board of Directors, limit approved by the Board of Directors should still be stated. Even though capital is repaid, limit approved by the Board of Directors should still be stated since the company may lend again.

Note 7: Softstar Technology (Shanghai) Co., Ltd.: The total financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed RMB$3,000 thousand.

The individual financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed RMB$2,000 thousand.

Note 8: Softstar Technology (Beijing) Co., Ltd.: The total financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed RMB$6,000 thousand.

The individual financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed RMB$5,000 thousand.

Note 9: Softstar International Inc. The total financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed USD$3,000 thousand.;

The individual financing amount to the 100% directly or indirectly held subsidiaries of the parent company or companies with business transactions with the Group shall not exceed USD$2,000 thousand.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

ATTACHMENT 2: Endorsement/Guarantee provided to others for the year ended December 31, 2018

No. (Note 1)	Name of endorsers	Endorsee: Name of endorsees	Endorsee: Relationship (Note 2)	Endorsement limit for a single entity (Note 3)	Maximum balance for the period (Note 4)	Ending balance (Note 5)	Actual amount provided (Note 6)	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount (Note 3)	Guarantee provided by Parent Company (Note 7)	Guarantee provided by a Subsidiary (Note 7)	Guarantee provided to Subsidiaries in Mainland China (Note 7)
0	SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	3	$482,893	$103,110	$103,110	$33,457	$34,351	21.35%	$482,893	Y	N	Y
0	SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	3	482,893	54,000	54,000	-	-	11.18%	482,893	Y	N	Y

Note 1: The parent company and its subsidiaries are coded as follows:

(1) The parent company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 90% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the endorsement guarantee procedures, the endorsement guarantee limit is as follows:

(1) Accumulated external endorsement guarantee is limited to 100% of the company's net value.

(2) The endorsement guarantee limit for a single enterprise is limited to 100% of the company's net value. However, for a single overseas affiliated company, it is not limited to 100% of the net value. If the endorsement guarantee is due to business relationship, the total amount shall not exceed the total transactions with the company of the most recent year.

(The higher amount of goods purchased or sold between the two parties).

(3) The aforementioned net value of the Company shall be subject to the most recent financial statements audited or reviewed by an accountant.

Note 4: The maximum endorsements/guarantees amount for the year.

Note 5: All endorsements/guarantees that have been approved by bank shall be included in ending balance.

Note 6: Please fill in the actual amount provided by the endorsers.

Note 7: Parent company endorsed/guaranteed for the subsidiaries, subsidiaries endorsed/guaranteed for the parent company, or endorsement/guarantee for entities in Mainland China shall fill in "Y"

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

ATTACHMENT 3: Securities held as of December 31, 2018

Names of companies held	Type of securities (Note 1)	Name of securities (Note 1)	Relationship with the Company (Note 2)	Financial statement account	December 31, 2018				Note (Note 4)
					Shares (in thousand)	Carrying amount (Note 3)	Percentage of ownership (%)	Fair value	
SOFTSTAR ENTERTAINMENT INC.	Stock	AUER MEDIA & ENTERTAINMENT CORP.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,696	$137,247	19.48%	$137,247	N
SOFTSTAR ENTERTAINMENT INC.	Stock	TAIWAN SMART CARD CO.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,552	5,480	15.95%	5,480	N
SOFTSTAR ENTERTAINMENT INC.	Stock	DOUBLE EDGE ENTERTAINMENT CORP.	-	Financial assets at fair value through other comprehensive income, noncurrent	479	4,793	17.43%	4,793	N
SOFTSTAR ENTERTAINMENT INC.	Stock	FUNFIA INC.	Other related party	Financial assets at fair value through other comprehensive income, noncurrent	600	-	14.23%	-	N
SOFTSTAR ENTERTAINMENT INC.	Emerging stock	SNSPLUS, INC.	-	Financial assets at fair value through other comprehensive income, noncurrent	1,331	5,484	2.34%	5,484	N
Kobe Co., Ltd.	Listed stock	NEWRETAIL CO., LTD.	Other related party	Financial assets at fair value through other comprehensive income, noncurrent	5,001	36,502	4.24%	36,502	N
						$189,506			

Note 1:Securities on the list refer to securities such as stocks, bonds, beneficiary certificates and securities derived from those items included in IFRS 9 “Financial Instruments”.

Note 2:Fields do not have to be filled in if the security issuer is not a related party.

Note 3:Securities which were acquired by using fair value method, please fill in amount based on calculating after adjustment from fair value minus accumulated impairment; fill in the rest amount based on original acquired cost or after amortization minus accumulated impairment.

Note 4:Listed securities due to guarantees, pledged loans, or others who are restricted by agreement shall specify in the remarks column the number of guarantees or the number of shares borrowed, the amount of the guarantee or the amount of the loan, and restrictions on use.

Attachment 4: Significant intercompany transactions between consolidated entities

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Business Transactions			
				Account	Amount	Term	As a percentage of consolidated revenues (Note 3)
0	SOFTSTAR ENTERTAINMENT INC.	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	1	Sales Revenue	$24,020	Negotiated by both parties	2.81%
0	SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	1	Research and development expenses - Professional service fees	69,075	Negotiated by both parties	8.07%

Note 1:Information about related party transactions should be stated. The numbers of each company are illustrated as follows:
1. 0 is for the parent company.
2. Each subsidiary is numbered from 1.

Note 2:Transactions are categorized into three types as follows: (There is no need to repeat the disclosure of the same transaction between the parent company and each subsidiary. For example, if the parent company has disclosed the transaction with the subsidiary, the subsidiary does not need to disclose it; if transactions between subsidiaries has been disclosed by one company, the other company does not need to disclose the transaction.
1. Parent company and subsidiary.
2. Subsidiary and Parent company.
3. Subsidiary and subsidiary.

Note 3:Transaction amount is stated as a percentage of total revenues. Percentages of assets or liabilities accounts are calculated as ending balance divided by consolidated assets, and percentages of profit or loss accounts are calculated as accumulated amount for the year divided by consolidated revenues.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

ATTACHMENT 5: Names, locations and related information of investee companies (Not including investment in Mainland China)

Investor company	Investee company	Location	Main business and products	Original investment amount		Investment as of December 31, 2018			Net income (loss) of investee (Note 1)	Investment income (loss) recognized (Note 1)	Note
				Ending balance	Beginning balance	Number of shares (in thousand)	Percentage of ownership (%)	Book value			
SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR INTERNATIONAL INC.	Cayman Islands	Investment holding	$200,899	$165,484	6,259	100%	$59,935	$2,959	$2,959	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Taiwan	Software wholesale and information software services	95,000	95,000	2,850	100%	(8,032)	(32,909)	(32,909)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Softstar Agency Co., Ltd.	Taiwan	Performing arts	10,000	9,000	-	100%	(512)	(1,876)	(1,876)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Marsware Entertainment Inc.	Taiwan	Network software development and technical services	30,000	30,000	3,000	100%	(3,005)	426	426	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Fairy Palm Inc.	Taiwan	Software publishing and information software services	102	102	10	51%	66	2,306	1,176	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	WECOOL GAME CO., LTD.	Taiwan	Network software development and technical services	47,000	40,000	4,700	100%	1,829	(19,951)	(19,951)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Kobe Co., Ltd.	Taiwan	General investment	98,792	98,792	-	100%	36,921	(64)	(64)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Gamebase Digital Media Corporation	Taiwan	Software publishing and information software services	25,000	15,000	2,600	86.67%	3,056	(20,236)	(17,335)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	A.R.T. Games Co., Ltd.	Taiwan	Network software development and technical services	12,250	4,900	1,225	49%	5,799	(9,377)	(4,595)	Investments accounted for using the equity method
SOFTSTAR ENTERTAINMENT INC.	Chia-e International Inc.	Taiwan	Investment holding	20,000	20,000	814	28.21%	10,729	(9,300)	(2,624)	Investments accounted for using the equity method
SOFTSTAR INTERNATIONAL INC.	JP Soft L.L.C	U.S.A	Investment holding	-	4,717	-	-	-	-	-	Note 3
SOFTSTAR INTERNATIONAL INC.	MAURITIUS WEBSTAR INC.	Mauritius	Investment holding	47,302	46,104	158	100%	575	(934)	(934)	Second-tier subsidiary
SOFTSTAR INTERNATIONAL INC.	SOFTSTAR GLOBAL INC.	Mauritius	Investment holding	162,277	162,277	5,327	100%	(9,914)	(480)	(480)	Second-tier subsidiary
SOFTSTAR INTERNATIONAL INC.	SOFTSTAR ANIMATION LIMITED	Samoa	Investment holding	51,829	36,247	1,680	100%	34,370	(16,779)	(16,779)	Second-tier subsidiary
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Perfecten Corporation	Taiwan	Network software development and technical services	50,000	50,000	5,000	100%	2,465	(7,729)	(7,729)	Second-tier subsidiary
Perfecten Corporation	PERFECT TEN INTERNATIONAL LIMITED	Hong Kong	Network software development and technical services	466	466	-	-	-	25	25	Note 4

Note 1: If the listed company set up the overseas investment company and cosider companies creates consolidated financial statements as primary financial statements under local regulations, information about overseas investees can be disclosed only to the extent of the overseas investment company.

Note 2: If not qualified for the situation stated in Note 1, the above table should be made under rules as follows:

(1) Information about the Company's investments should be filled in the "Investee", "Location", "Main business", "Original investment" and "Investment as of December 31, 2018" columns. The relationship between the investee and the Company should be filled in the "Note" column.

(2) The net income for the year of each investee should be filled in the "Net income (loss) of investee" column.

(3) Only the investment income (loss) of subsidiaries or investees accounted for using the equity method recognized by the Company should be filled in the "Investment income (loss) recognized" column. The investment income (loss) recognized should include investment income (loss) recognized by the investee.

Note 3: On February 26, 2018, the company completed the closing procedures.

Note 4: On March 22, 2018, in order to integrate the Group's resources, the Company settled the repatriation of Perfecten Corporation’s share capital, and completed the liquidation procedure on August 10, 2018.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

ATTACHMENT 6: Investment in Mainland China

1. The following table presents names, main businesses and products, total amount of paid-in capital, method of investment, accumulated outflow of investment from Taiwan, investment income recognized, carrying amount, and accumulated inward remittance of earnings on investment of investees in Mainland China

Investee Company	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as at January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (loss) of investee Company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as of December 31, 2018	Accumulated inward remittance of earnings as of December 31, 2018	Note (Note 2(2))
					Outflow	Inflow							
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Information processing service	$32,856	2	$32,856	$-	$-	$32,856	$21,285	100%	$21,285	$10,179	$-	B
SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Information processing service	116,314	2	22,294	-	-	22,294	(78,286)	100%	(78,286)	(18,423)	-	B
UNISTAR SOFTWARE CO., LTD.	Information processing service	13,865	2	3,708	-	-	3,708	-	21.66%	-	-	-	C(Note 4)
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	Development of computer hardware and network technology	31,846	2	31,846	-	-	31,846	(479)	100%	(479)	(7,046)	-	B
JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD.	Network software development and technical services	65,263	2	65,263	-	-	65,263	(1)	100%	(1)	(2,868)	-	B

2. Investment quota for Mainland China:

Accumulated investment in Mainland China as of December 31, 2018	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment in accordance with Ministry of Economic Affairs regualtions (Note 5)
$155,967	$285,526	$289,736

Note 1: The method for engaging in investment in Mainland China include the following:
(1) Direct investment in Mainland China with capital increase through companies registered in third region.
(2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of company in third region)
(3) Other method.
Note 2: The investment income (loss) recognized in current period:
(1) It should be noted if it is in preparation which there is no investment profit or loss.
(2) The investment income (loss) were determined based on the following basis:
A. The financial statement was audited by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.
B. The financial statement was audited by the auditors of the parent company.
C. Others.
Note 3: The amount is stated in New Taiwan Dollars.
Note 4: Unistar Software Co.,Ltd. has completed cancellation of registration.
Note 5: The upper limit of investment in Mainland China is 60% of the net value or consolidated net value.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

SOFTSTAR ENTERTAINMENT INC.

1. Statement of Cash and cash equivalents

December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description		Amount	Note
Cash on hand	Including USD	2,500.00	$265	1. No bank deposits listed in the
	CNY	8,085.00		left column were pledged.
Checking accounts			6	2. As of December 31, 2018
Demand deposits	Including USD	175,709.28	119,689	Exchange rate:
	CNY	7,758,993.88		USD1 = NTD 30.72
				CNY1 = NTD 4.47
Total			$119,960	

SOFTSTAR ENTERTAINMENT INC.

2. Statement of Accounts receivable, net

December 31, 2018

In Thousands of New Taiwan Dollars

Customer name	Description	Amount	Note
Account receivables - third parties			
Customer A		$42,518	
Customer B		11,647	
Customer C		7,360	
Customer D		5,367	
Others	The amount of individual customer in others does not exceed 5% of the account balance.	2,885	
Subtotal		69,777	
Less: loss allowance		(710)	
Net amount		$69,067	

SOFTSTAR ENTERTAINMENT INC.

3. Statement of Prepayments

December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Prepayments			
Advance payment	Subcontracting funds for making games or animations	$70,903	
Prepaid income tax		1,313	
Prepaid expense		1,281	
Others	The amount of individual customer in others does not exceed 5% of the account balance.	972	
Total		$74,469	

SOFTSTAR ENTERTAINMENT INC.

4. Statement of Financial assets at fair value through other comprehensive income, noncurrent

December 31, 2018

In Thousands of Shares/ New Taiwan Dollars

Item	Beginning Balance		Addition		Decrease		Valuation	Ending Balance		Collateral	備註
	Shares	Fair Value	Shares	Amount	Shares	Amount	Amount	Shares	Fair Value		
SNSPLUS, INC.	1,331	$10,754	-	$-	-	$-	$(5,270)	1,331	$5,484	None	
AUER MEDIA & ENTERTAINMENT CORP.	2,696	162,050	-	-	-	-	(24,803)	2,696	137,247	None	
FUNFIA INC.	600	-	-	-	-	-	-	600	-	None	
TAIWAN SMART CARD CO.	2,552	5,480	-	-	-	-	-	2,552	5,480	None	
DOUBLE EDGE ENTERTAINMENT CORP.	1,917	19,173	-	-	(1,438)	(14,380)	-	479	4,793	None	
		$197,457		$-		$(14,380)	$(30,073)		$153,004		

SOFTSTAR ENTERTAINMENT INC.

5. Statement of changes in Investments accounted for using equity method

For the Year Ended December 31, 2018

In Thousands of Shares/ New Taiwan Dollars

Investee	Beginning balance		Additions		Disposals		Other changes				Ending balance			Fair value / Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Investment Income (Loss)	Unrealized Gains or Losses from Financial Assets at Fair Value Through Other Comprehensive Income (Loss)	Other	Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations	Shares	%	Amount	Unit Price (NTD)	Total amount		
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	9,500	$24,877	-	$-	-	$-	$(32,909)	$-	$8,032	$-	9,500	100%	$-	$-	$-	None	Note 1
SOFTSTAR INTERNATIONAL INC.	5,094	47,016	1,165	35,415	-	-	2,958	-	(25,021)	(433)	6,259	100%	59,935	9.57	59,935	None	
Softstar Agency Co., Ltd.	900	363	100	1,000	-	-	(1,876)	-	512	-	1,000	100%	-	-	-	None	Note 1
Marsware Entertainment Inc.	3,000	-	-	-	-	-	378	-	3,005	-	3,000	100%	-	-	-	None	Note 1
WECOOL GAME CO., LTD.	4,000	14,780	700	7,000	-	-	(19,951)	-	-	-	4,700	100%	1,829	0.39	1,829	None	
Kobe Co., Ltd.	9,920	95,001	-	-	-	-	(64)	(58,016)	-	-	9,920	100%	36,921	3.72	36,921	None	
Fairy Palm Inc.	10	-	-	-	-	-	1,176	-	(1,110)	-	10	51%	66	6.60	66	None	Note 2
Gamebase Digital Media Corporation	1,600	11,718	1,000	10,000		-	(17,335)	-	(1,327)	-	2,600	49%	3,056	1.16	3,056	None	
A.R.T. Games Co., Ltd.	490	3,044	735	7,350		-	(4,595)	-	-	-	1,225	49%	5,799	4.73	5,799	None	
Chia-e International Inc.	396	13,353	-	-		-	(2,624)	-	-	-	814	28.21%	10,729	13.18	10,729	None	
合 計		$210,152		$60,765		$-	$(74,842)	$(58,016)	$(15,909)	$(433)			$118,335				

Note 1: Others were negative for the current year and therefore reclassified to other non-current liabilities.

Note 2: Others have converted from negative to positive balances for the current year and are therefore reclassified from other non-current liabilities to investments using the equity method.

SOFTSTAR ENTERTAINMENT INC.
6. Statement of Accounts payable
December 31, 2018

In Thousands of New Taiwan Dollars

Vendor name	Description	Amount	Note
Accounts payable - third parties			
Vendor A		$14,828	
Vendor B		38,407	
Vendor C		4,475	
Others	The amount of individual customer in others does not exceed 5% of the account balance.	299	
Total		$58,009	

SOFTSTAR ENTERTAINMENT INC.
7. Statement of Operating costs
For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Amount		Note
	Description	Total	
Labor cost		$39,467	

SOFTSTAR ENTERTAINMENT INC.
8. Statement of Selling expenses
For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Salaries		$5,478	
Taxes		29,341	
Other expenses	The amount of individual item in others does not exceed 5% of the account balance.	6,309	
Total		$41,128	

SOFTSTAR ENTERTAINMENT INC.
9. Statement of General and administrative expenses
For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Salaries		$28,150	
Other expenses	The amount of individual item in others does not exceed 5% of the account balance.	28,702	
Total		$56,852	

SOFTSTAR ENTERTAINMENT INC.
10. Statement of Research and development expenses
For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Salaries		$74,017	
Rental expense		14,546	
Service expense		87,432	
Other expenses	The amount of individual item in others does not exceed 5% of the account balance.	25,133	
Total		$201,128	

VI. Financial Difficulties: None

Chapter 7 Review of Financial Conditions, Operating Results, and Risk Management

I. Analysis of Financial Status

Review and Analysis Statement for Financial Analysis

Comparative Analysis of Financial Conditions

Unit: thousand NT$

Item \ Year	2018	2017	Differences	
			Amount	%
Current assets	602,860	502,389	100,471	20.00
Financial assets at fair value through other comprehensive income, noncurrent	189,506	-	189,506	100.00
Available-for-sale financial assets	-	105,274	(105,274)	(100.00)
Financial assets measured at cost.	-	186,703	(186,703)	(100.00)
Investments accounted for using the equity method	16,528	16,397	131	0.80
Property, plant and equipment	23,423	33,096	(9,673)	(29.23)
Intangible assets	12,586	18,569	(5,983)	(32.22)
Other non-current assets	215,256	12,019	203,237	1690.96
Other financial assets-Non-current	23,000	16,750	6,250	37.31
Total assets	1,083,159	891,197	191,962	21.54
Current liabilities	410,839	343,341	67,498	19.66
Non-current liabilities	185,834	55,167	130,667	236.86
Total liabilities	596,673	398,508	198,165	49.73
Common stock	477,945	478,313	(368)	(0.08)
Additional paid-in capital	179,197	25,174	154,023	611.83
Retained earnings	144,139	17,573	126,566	720.23
Other components of equity	(314,911)	(29,556)	(285,355)	965.47
Total equity attributable to the parent company	486,370	491,504	(5,134)	(1.04)
Non-controlling equity	116	1,185	(1,069)	(90.21)
Total equity	486,486	492,689	(6,203)	(1.26)

Note: The Company shall explain the primary reason and its effect regarding major changes in assets, liabilities, and shareholders' equity (with changes over 20% and the amount involving in such changes has reached NT$10 million) for the past two years. For material effects, explain the counterplan in the future.

1. Explanations for items with major changes:
(1) Current assets: The increase in current assets was primarily due to the increase the recognition of contract assets for audiovisual licensing upon IFRS15 application in 2018.
(2) Financial assets at fair value through other comprehensive income, noncurrent, available-for-sale financial assets, and financial assets measured at costs: Reclassified due to the adoption of IFRS9.
(3) Other non-current assets: Primarily due to the increase in contract assets - non-current and costs to fulfil a contract - non-current (costs for contract performance regarding certain licensing agreements were recognized as assets) resulting from the applicability of IFRS15 in 2018.
(4) Total non-current liabilities and liabilities: Primarily due to the increase in current and non-current contract assets upon IFRS15 application in 2018.
(5) Non-current liabilities: Primarily due to the increase in contract assets, causing the differences in total liabilities, resulting from the applicability of IFRS15 in 2018.
(6) Capital reserve: Primarily due to the issuance of the restricted stock awards in 2018.
(7) Retained earnings: Primarily due to the increase in net profit resulting from the increase in operating revenue
(8) Other equity: Due to the adoption of IFRS9, available-for-sale financial assets and financial assets measured at cost were reclassified to other equity.
2. Future corresponding plan: Not applicable.

II. Analysis of Operation Results

Unit: thousand NT$

Item \ Year	2018	2017	Increases (decreases)	Rate of change %
Net sales	855,738	789,128	66,610	8.44
Cost of goods sold	(81,510)	(123,739)	42,229	(34,13)
Gross profit	774,228	665,389	108,839	16.36
Operating expenses	(627,772)	(628,856)	1,084	(0.17)
Operating income (loss)	146,456	36,533	109,923	300.89
Non-operating income and expenses	(7,894)	(11,416)	3,522	(30.85)
Profit(Loss) before income tax	138,562	25,117	113,445	451.67
Income tax expenses	(53,135)	(15,589)	(37,546)	240.85
Net income (loss)	85,427	9,528	75,899	796.59
Net income attributable to shareholders of the parent company	87,823	18,244	69,579	381.38
Net income attributable to non-controlling interests	(2,396)	(8,716)	6,320	(72.51)

Note: The Company shall explain the primary reason regarding major changes in operating revenue, operating net income and net income before tax (with changes over 20% and the amount involving in such changes has reached NT$10 million) for the past two years.

1. Primary reason for items with major changes in the past two years
   (1) Cost of goods sold: Primarily due to the decrease in the payment of royalty costs for the game agency.
   (2) Operating income(loss), income before income tax, and net income of the period: Primarily due to the increase in IP licensing revenue during the year and the decrease in the payment of royalty costs for the game agency.
2. Estimated quantity of sales and its basis:
   There is no statistic for sales because no financial forecasting was prepared by the Company.
3. Possible effects and the counterplan for the future financial business of the Company:
   In the future, the Company will reinforce its top seven IP operations including "Sword and Fairy" and "Xuan Yuan Sword" through the development of mobile games, single player games, and online games, as well as invest in the audiovisual and cultural and creative field. The Company will ensure the presence of the Company's products in all fields and platforms through the licensing cooperation with top-tier companies in Taiwan and Mainland China and maintain the quality of high investment and high level to obtain the support from the market and players.

III. Analysis of Cash Flow

Review and Analytical Statement for Cash Flow

Analysis of Cash Flow

Unit: thousand NT$

Beginning cash balance (1) (Note)	Net cash flow from operating activities for the year (2)	Cash inflow for the year (3)	Cash balance (deficit) amount (1) + (2) + (3)	Remedial measures for cash deficit	
				Investment plans	Financial plans
255,290	(162,217)	87,337	180,410	-	-

1. Analysis of changes in cash flow in 2018:
   (1) Operating activities: Net cash outflow from the operating activities of the period was primarily due to the increase in contract assets and costs to fulfil a contract.
   (2) Investing activities: Net cash outflow from investing activities of the period was primarily due to the increase in other financial assets (pledging bank borrowings and demand deposits).
   (3) Financing activities: Net cash inflow from financing activities of the period was primarily due to the increase in short-term borrowings in 2018.
2. Remedial measures for cash deficit and liquidity analysis:
   (1) Remedial measures for cash deficit: None.
   (2) Liquidity analysis:

Item / Year	Dec. 31, 2018	Dec. 31, 2017	Increase (Decrease) %
Cash flow ratio (%)	(39.48)%	(6.93)%	470%
Cash flow adequacy ratio (%)	(4.33)%	23.00%	118.83%
Cash flow reinvestment ratio (%)	(58.50)%	(9.26)%	731.75%

Increase or decrease of change analysis:
Cash flow ratio, cash reinvestment ratio, and cash flow adequacy ratio: Due to the net cash outflow of operating activities during 2018.

3. Analysis of the cash liquidity of the coming year:

Beginning cash balance (1)	Projected net cash flow from operating activities during the year (2)	Projected cash outflow during the year (3)	Projected cash balance (deficit) amount (1)+(2)+(3)	Remedial measures for projected cash deficit	
				Investment plans	Financial plans
180,410	9,400	(1,826)	187,984	N/A	N/A

1. Analysis of changes in cash flow for the year:
   (1) Operating activities: Net cash inflow from operating activities during the year was primarily due to the projected launching of multiple new games in 2019.
   (2) Investing activities: Net cash outflow from investing activities during the period was primarily due to the projected purchases of fixed assets and intangible assets.
   (3) Financing activities: Net cash inflow from financing activities during the period was primarily due to bank borrowings.
2. Remedial measures for cash deficit and liquidity analysis: None.

IV. Major Capital Expenditure Items: None.

V. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year:

(I) Reinvestment policy

The Company primarily engages in game development, game agency, and IP licensing. Regarding the reinvestment layout, the Company mainly focuses on the game development/agency companies within the same industry as the Company as the core, or companies with related business, complement advantages, and synergies as investing targets.

(II) Main reasons for profit or loss and the plan for improvement

Currently, the reinvestment companies of the Company are mostly game development companies; therefore, if products are still under development or the revenue from listed products have decreased during the year, losses would occur due to R&D labor expenses and product outsourcing expenses. Companies for reinvestment reinforcing their control on development schedule and budget to complete games and licensing for operation shall be the plan for improvement.

(III) Investment plans for the coming year: None.

VI. Analysis of Risk Management for the Past Year up to the Date of Printing the Annual Report:

(I) Impact of changes in interest rates, foreign exchange rates, and inflation in the most recent year on the Company's profit and loss, and future response measures:

1. Interests expenses of the Company form an insignificant part of net operating revenue; therefore, changes in interest rate has no significant effect on the Company.
2. Regarding foreign currency assets of the Company, specialists from the Finance Department are responsible for regular evaluation, and shall keep close contact with the foreign exchange department of corresponding banks to keep abreast the trend of changes in exchange rates, so as to minimize the effects of exchange rate fluctuation risks on the revenue and profit of the Company.
3. There has been no effect on the Company operation arising from inflation in 2018.

(II) Policy regarding high-risk and highly leveraged investments, loaning of funds, endorsements/guarantees, and derivatives transactions; the primary reasons for the profit or loss, and future response measures:

1. High-risk investments and highly leveraged investments

   Currently, the Company does not engage in any high-risks or highly leveraged investments.

2. Loaning of funds, and endorsements/guarantees

   (1) For 2018 and as of the printing date of the annual report, the Company has no loans to other parties. Regarding loans between offshore companies and subsidiaries wholly owned, directly or indirectly, by the Company, comply with the "Procedures for Loans to Other Parties" of the Company. As of Apr. 30, 2019, regarding loans between offshore companies and subsidiaries wholly owned, directly or indirectly, by the Company, the limits approved by the Board was NT$52,623 thousand, and the actual utilized amount was NT$40,335 thousand.

(2) For 2018 and as of the printing date of the annual report (as of Apr. 30, 2019), the maximum limits for endorsements/guarantees provided by the Company is NT$486,370 thousand. The announced endorsements/guarantees balances were NT$214,860 thousand, and the actual utilized amount was NT$57,795 thousand. Relevant operations complied with the "Procedures for Endorsement and Guarantee" of the Company.

3. Derivatives transactions

Currently, the Company does not engage in any derivatives transactions.

(III) Future R&D plans and R&D expenditure to be invested:

1. Future R&D plans:

(1) "Legend of the Zyca" with cross-generation standards is expected to be launched, and renowned brands such as Xuan Yuan Sword, Sword and Fairy, Stardom, etc. will establish their single player game sequels one by one to continue the sustainable brand vitality. Meanwhile, the Company will also commit to promote the brands on all platforms.

(2) Product R&D plans: Our existing R&D team is mainly focusing on brand promotion as its development direction, improve brand recognition, strengthen the connection with our fans, continue to launch IP series work, and, through collaboration with other game companies, jointly maximize the brand efficacy. With respect to product expansion, besides PC games and mobile games, development toward the cross-platform field, such as game consoles for PS4, Xbox One, etc. is also the development direction of the Company.

(3) Technology R&D plans: Continue to reinforce the utilization of the Unity 3D engine to extend its application to the development of multiple game types, including single player games, portable platform games, and MMORPG in the future. In addition, the Company will continue to develop the new server engine, which may support multiple client connections from different platforms, improve the loading performance of the servers, so as to achieve the technical strength of the cross-platform connection. The Company will use the high standard technology, including director tool, blueprint editing, and rendering technology, from the high-end engine Unreal Engine 4 for development, allowing the technical strength of the Company become more effective and in line with the development requirements for future products.

2. R&D expenditures excepted to be reinvested will be approximately NT$450 million in 2019.

(IV) Impact of changes of important domestic and international policies and laws on the Company’s finance and business, and response measures: None.

(V) Impact of changes in technology and industry on the Company’s finance and business, and response measures: None.

(VI) Impact of changes of corporate images on crisis management and response measures: None.

(VII) Projected benefits and possible risks in engaging in mergers or acquisitions and response measures: None.

(VIII) Projected benefits and possible risks in expanding plants and response measures: None.

(IX) Risks posed by concentrated procurement and sales and response measures: None.

(X) Impact on the Company resulting from massive transfer or exchange of the Company's shares by directors, supervisors or major shareholders with more than 10% of the Company's shares and response measures: None.

(XI) Impacts and risks arising from changes of management rights and response measures:

None.

(XII) Litigious or non-litigious matters. List any major litigious, non-litigious, or administrative dispute that involves the Company or any of its directors, supervisors, general manager, real representative, major shareholder holding a stake of greater than 10 percent, or any company or companies controlled by the Company, and that has been concluded by a final and conclusive judgment or is still pending. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the report shall disclose the facts of the dispute, the amount of money at stake in the dispute, the date of commencement of litigation, the main parties to the dispute, and the status of the dispute as of the date of the printing the annual report.

(XIII) Other Material risks and response measures:

Explanation of analysis on information security assessment:

Electronization has changed the traditional way of work but also brought new forms of crimes method, which has become the emerging criminal model. Hacking cases by hackers occur one after another. The possibility of information system being hacked increases gradually due to insufficiently rigorous information security structure or insufficient mechanism control regarding systems, internet, or privacy management, resulting in the increase of personal information leakage, which may bring risks such as litigation, fines, and operating suspension to corporates. In addition to having Regulations for Information Security Management in place and establishing regulations and procedures regarding information security management, the Company performs regular disaster drill and remote data back-up, reinforces the promotion of information security to its employees to minimize impacts of the risks from information security. Impacts of information system damages on the Company and the response measures are as follow:

1. Establish the information system structure on the mainframe with high usability and establish the remote data back-up mechanism to ensure the continual services as its first priority. Also, deliver the back-up media for remote preservation. Carry out material system disaster drill regularly, and enhance the adaptability of users regarding crisis management. Focus on the review and improvement on defects through practical operations and drills.
2. Regarding the protections provided for information security threats, such as virus infection from the browsed websites, e-mails with malware, portable storage media, and malware downloads, the Company has established the defense and detection system and has installed basic anti-virus systems for all terminals. The Company performs its monitoring and protection by way of central control, sets up equipment for barring spams, and enhances virus scanning for e-mails, so as to minimize the risks of being infected and attacked by malware.
3. Internet security includes access control, firewall, systems for intrusion detection and blocking attacks, application protection, internet monitoring and report system, and repair work, to reduce loopholes and the possibility of being attacked. Personnel from the Department of Information of the Company receive information security programs regularly to improve the crisis awareness of employees regarding information security.
4. For personal information protection, besides establishing a special task force and

setting out all protective measures, the Company requires all operating departments to minimize the collection of relevant data in principle. Improve the masking off of our database regarding non-necessary users. All usage of and access to personal information shall be subject to approvals in compliance with the requirements. Abandonment and destruction of storage media shall be handled by an independent third party, and photos of such abandoned and destroyed storage media shall be kept for future references.

For 2018 and as of the date of printing the annual report, the Company is not aware of any significant internet attacks or matters, and there have been no significant adverse effects on our operations, and the Company has not been involved in any relevant legal cases or regulatory investigation.

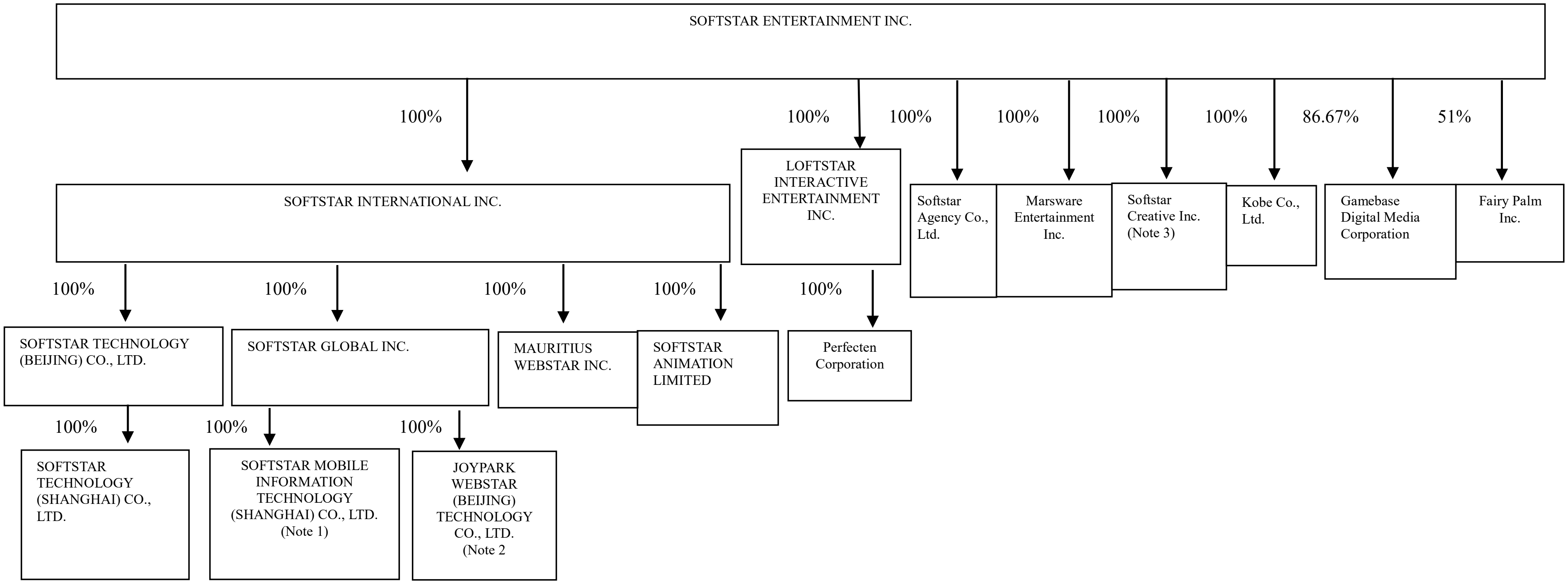
VII. Other Important Matters: None.

Chapter 8 Special Disclosure

I. Summary of Affiliated Companies

(I) Consolidated Business Report Covering Affiliated Companies

1. Organization of Affiliated Companies as of December 31, 2018



Note 1: SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.
Note 2: JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD.; the cancellation registration was completed on March 26, 2019.
Note 3: Formerly WECOOL GAME CO., LTD.; the name change registration was completed on December 25, 2018.

2. Information on Affiliated Companies

December 31, 2018; Unit: NT$1,000

Affiliated Company	Date of Incorporation (yyyy/mm/dd)	Address	Paid-in Capital	Scope of Business or Production
Softstar International Inc.	2000/04/19	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands	200,899	General investment
SOFTSTAR TECHNOLOGY (BEIJING) CO.,LTD.	2000/09/19	5F, Dahua Tiantan Building, Sanyi Temple, Renmin University South Road, Haidian District, Beijing City	32,856	Data processing services
SOFTSTAR TECHNOLOGY (SHANGHAI) CO.,LTD.	2001/06/14	Block 22301-768, Building 14, No. 498, Guoshoujing Road, China (Shanghai) Pilot Free Trade Zone	116,314	Information software services
Softstar Global Inc.	2004/05/31	Suite 802, St James Court St Denis Street, Port Louis, Mauritius	162,277	General investment
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	2005/03/31	Room 218, Building 1, No. 63, Chifeng Road, Yangpu District, Shanghai City	31,846	Computer hardware and network technology development
JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD. (Note 2)	2005/05/24	5F, Dahua Tiantan Building, Sanyi Temple, Renmin University South Road, Haidian District, Beijing City	65,263	Network software development and technical services
Mauritius Webstar Inc.	2001/04/04	Level 3, Alexander House, 35 Cybercity, Ebene Mauritius	47,302	General investment
Softstar Animation Limited	2016/05/11	Offshore Chambers, P.O.Box 217, Apia, Samoa	51,829	General investment
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	2014/04/10	15F-1, No. 200, Section 1, Keelung Road, Taipei City	28,500	Software wholesaling and information software services
Perfecten Corporation	2014/05/23	15F, No. 200, Section 1, Keelung Road, Taipei City	50,000	Network software development and technical services

Affiliated Company	Date of Incorporation (yyyy/mm/dd)	Address	Paid-in Capital	Scope of Business or Production
Softstar Agency Co., Ltd.	2015/02/04	23F-1, No. 200, Section 1, Keelung Road, Taipei City	10,000	Performing activities
Marsware Entertainment Inc.	2015/04/20	15F-1, No. 200, Section 1, Keelung Road, Taipei City	30,000	Network software development and technical services
Softstar Creative Inc. (Note 1)	2016/02/03	15F, No. 200, Section 1, Keelung Road, Taipei City	47,000	Network software development and technical services
Kobe Co., Ltd.	2009/06/19	15F, No. 200, Section 1, Keelung Road, Taipei City	99,200	General investment
Gamebase Digital Media Corporation	2011/05/26	15F-1, No. 200, Section 1, Keelung Road, Taipei City	30,000	Software publishing and information software services
Fairy Palm Inc.	2017/10/11	15F, No. 200, Section 1, Keelung Road, Taipei City	200	Network software development and technical services

Note 1: Formerly WECOOL GAME CO., LTD.; the name change registration was completed on December 25, 2018.
Note 2: The cancellation registration was completed on March 26, 2019.

3. Information on Same Shareholders under Presumption of a Relationship of Control or Subordination: None.
4. Industries Covered by the Overall Business Operated by Affiliated Companies: Game-related development, agency, sales operations and licensing.

5. Directors, Supervisors, and Presidents of Affiliated Companies

December 31, 2018; Unit: 1,000 shares

Affiliated Company	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding Percentage
Softstar International Inc.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	6,259	100.00%
SOFTSTAR TECHNOLOGY (BEIJING) CO.,LTD.	Chairman	Hsiao Chien, representative for CMGE Technology Group Limited	Note 3	51.00%
	Director	Liang Yen and Sheng, Han-Ti, representatives for CMGE Technology Group Limited	Note 3	51.00%
	Director	Tu, Chun-Kuang and Yao, Chuang-Hsien, representatives for Softstar International Inc.	Note 3	49.00%
	General Manager	Yao, Chuang-Hsien	Note 3	-
	Supervisor	Yeh, Miao-Liang, representative for CMGE Technology Group Limited	Note 3	51.00%
	Supervisor	Hsieh, Ping-Hui, representative for Softstar International Inc.	Note 3	49.00%
SOFTSTAR TECHNOLOGY (SHANGHAI) CO.,LTD.	Chairman	Yao, Chuang-Hsien, representative for SOFTSTAR TECHNOLOGY (BEIJING) CO.,LTD.	Note 3	100.00%
	Director	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. Tu, Chun-Kuang and Chang, Hsiao-Chuan, representatives for SOFTSTAR TECHNOLOGY (BEIJING) CO.,LTD.	Note 3	100.00%
	General Manager	Chang, Hsiao-Chuan	0	0
	Supervisor	Hsieh, Ping-Hui, representative for SOFTSTAR TECHNOLOGY (BEIJING) CO.,LTD.	Note 3	100.00%
Softstar Global Inc.	Chairman	Tu, Chun-Kuang, representative for Softstar International Inc.	5,327	100.00%
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	Chairman	Yao, Chuang-Hsien, representative for Softstar Global Inc.	Note 3	100.00%
	Director	Yao, Chuang-Hsien, Tu, Chun-Kuang and Chang, Hsiao-Chuan, representatives for Softstar Global Inc. Tu, Chun-Kuang and Chang, Hsiao-Chuan, representatives for SOFTSTAR TECHNOLOGY (BEIJING) CO.,LTD.	Note 3	100.00%
	General Manager	Chang, Hsiao-Chuan	0	0
	Supervisor	Hsieh, Ping-Hui, representative for Softstar Global Inc.	Note 3	100.00%
JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD. (Note 2)	Chairman	Li, Yung-Chin, representative for Softstar Global Inc.	Note 3	100.00%
	Director	Din, shu-zi, Yen, chun-ta, Yao, Chuang-Hsien, representative for Softstar Global Inc.	Note 3	100.00%

Affiliated Company	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding Percentage
Mauritius Webstar Inc.	Chairman	Tu, Chun-Kuang, representative for Softstar International Inc.	158	100.00%
Softstar Animation Limited	Chairman	Tu, Chun-Kuang, representative for Softstar International Inc.	1,680	100.00%
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	2,850	100.00%
	Director	Chen, Yao-Tien and Hsieh, Ping-Hui, representatives for SOFTSTAR ENTERTAINMENT INC.	2,850	100.00%
	General Manager	Chen, Yao-Tien	0	0
	Supervisor	Hsieh, Fang-Shu, representatives for SOFTSTAR ENTERTAINMENT INC.	2,850	100.00%
Perfecten Corporation	Chairman	Tu, Chun-Kuang, representative for LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	5,000	100.00%
	Director	Chen, Yao-Tien and Lien, Chien-Chin, representatives for LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	5,000	100.00%
	General Manager	Chen, Yao-Tien	0	0
	Supervisor	Hsieh, Fang-Shu, representative for LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	5,000	100.00%
Softstar Agency Co., Ltd.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	Note 3	100.00%
Marsware Entertainment Inc.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	3,000	100.00%
	Director	Tsay, Ming-Hung and Kuo, Ping-Hung, representatives for SOFTSTAR ENTERTAINMENT INC.	3,000	100.00%
	Supervisor	Hsieh, Fang-Shu, representatives for SOFTSTAR ENTERTAINMENT INC.	3,000	100.00%
Softstar Creative Inc. (Note 1)	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	4,700	100.00%
	Director	Tsay, Ming-Hung and Lin, Hui-Chen, representatives for SOFTSTAR ENTERTAINMENT INC.	4,700	100.00%
Kobe Co., Ltd.	Chairman	Hsieh, Ping-Hui, representative for SOFTSTAR ENTERTAINMENT INC.	Note 3	100.00%
Gamebase Digital Media Corporation	Chairman	Tsay, Ming-Hung, representative for SOFTSTAR ENTERTAINMENT INC.	2,600	86.67%
	Director	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	2,600	86.67%

Affiliated Company	Title	Name or Representative	Shareholding	
			Number of Shares	Shareholding Percentage
		He, Fei-Peng, representative for CITE PUBLISHING LIMITED	400	13.33%
	General Manager	Li, Chun-Hsien	0	0
	Supervisor	Lien, Chien-Chin	0	0
Fairy Palm Inc.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	10	51.00%
	Director	Tsay, Ming-Hung, representative for SOFTSTAR ENTERTAINMENT INC. Tsai, Kuang-Cheng	10	51.00%
		Tsai, kuang-chen	7	34.00%
	Supervisor	Chen, Yao-Tien	0	0

Note 1: Formerly WECOOL GAME CO., LTD.; the name change registration was completed on December 25, 2018.
Note 2: The cancellation registration was completed on March 26, 2019.
Note 3: It is a limited company, so no share is issued.

6. Financial Position and Operating Results of Affiliated Companies

December 31, 2018

Unit: NT$1,000

Affiliated Company	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income (Loss)	Income (Loss) after Tax
Softstar International Inc.	200,899	60,201	266	59,935	0	(142)	2,959
SOFTSTAR TECHNOLOGY (BEIJING) CO.,LTD.	32,856	274,467	264,288	10,179	147,186	99,675	21,285
SOFTSTAR TECHNOLOGY (SHANGHAI) CO.,LTD.	116,314	46,440	64,863	(18,423)	96,545	(67,311)	(78,286)
Softstar Global Inc.	162,277	(9,914)	0	(9,914)	0	0	(480)
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	31,846	1,019	8,065	(7,046)	0	(485)	(479)
JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD. (Note 2)	65.263	10	2,878	(2,868)	0	(1)	(1)
Mauritius Webstar Inc.	47,302	797	222	575	0	(961)	(934)
Softstar Animation Limited	51,829	39,860	5,490	34,370	34,804	(13,515)	(16,779)
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	28,500	35,710	43,742	(8,032)	110,260	(24,370)	(32,909)
Perfecten Corporation	50,000	2,515	50	2,465	2,648	(3,878)	(7,729)
PERFECT TEN INTERNATIONAL LIMITED (Note 3)	466	0	0	0	0	0	25
Softstar Agency Co., Ltd.	10,000	1,155	1,667	(512)	0	(1,876)	(1,876)
Marsware Entertainment Inc.	30,000	4,579	7,584	(3,005)	2,656	209	426
Softstar Creative Inc. (Note 1)	47,000	1,849	20	1,829	0	(19,860)	(19,951)
Kobe Co., Ltd.	99,200	36,931	10	36,921	0	(65)	(64)
Gamebase Digital Media Corporation	30,000	7,056	6,659	397	(11,171)	(24,084)	(20,236)
Fairy Palm Inc.	200	1,727	1,598	129	333	(14,088)	2,306

Note: On December 31, 2018, the exchange rate USD to TWD was 1:30.72 (balance sheet) and 1:30.18 (income statement).

On December 31, 2018, the exchange rate=CNY to TWD was 1:4.47 (balance sheet) and 1:4.56 (income statement).

Note 1: Formerly WECOOL GAME CO., LTD.; the name change registration was completed on December 25, 2018.

Note 2: The cancellation registration was completed on March 26, 2019.

Note 3: To integrate group resources, PERFECT TEN INTERNATIONAL LIMITED repatriated share capital on February 22, 2018 and completed liquidation on August 10, 2018.

(II) Consolidated Financial Statements Covering Affiliated Companies: Same as the consolidated financial statements (refer to pages 101~209).

(III) Statement on Consolidated Financial Statements Covering Affiliated Companies

SOFTSTAR ENTERTAINMENT INC. and Subsidiaries

Statement on Consolidated Financial Statements Covering Affiliated Companies

The entities included in the consolidated financial statements as of December 31, 2018 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as "Combined Financial Statements").Also, the footnotes disclosed in the consolidated financial statements has fully covered required information in the combined financial statements. Accordingly, the Company did not prepare any other set of combiand financial statements than the Consolidated Financial Statements.

Very truly yours,

SOFTSTAR ENTERTAINMENT INC.

Chairman: Tu, Chun-Kuang

March 19, 2019

(IV) Affiliation Report: N/A.

II. Private Placement Securities in the Most Recent Years

Item	1st private placement in 2018 (Note 1) Date of issue: Not yet placed	1st private placement in 2019 (Note 1) Date of issue: Not yet placed
Type of privately placed securities (Note 2)	Common shares	Common shares
Date and amount of approval by the shareholders' meeting (Note 3)	Approved by the Board of Directors on March 30, 2018 and May 11, 2018; the number of privately placed common shares to be issued did not exceed 10 million; proposed in the annual shareholders' meeting on June 29, 2018 for approval. Discontinued upon approval of the Board of Directors on March 19, 2019.	Approved by the Board of Directors on March 19, 2019; the number of privately placed common shares to be issued did not exceed 10 million; to be proposed in the 2019 annual shareholders' meeting for approval.
Basis for and reasonableness of pricing	Basis for and reasonableness of 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 par value of the shares. 4. Given the low liquidity of the privately placed common shares, the aforesaid determination of the private placement	Basis for and reasonableness of 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 par value 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.

<table>
<tr><td></td><td colspan="5">price is based on the Directions for Public Companies Conducting Private Placements of Securities; therefore, it should be reasonable.</td><td colspan="5"></td></tr>
<tr><td>Method for selecting the specific persons (Note 4)</td><td colspan="5">It is proposed that the Board of Directors should select the specific persons according to Article 43-6 of the Securities and Exchange Act, and such specific persons should be limited to those prescribed by the Financial Supervisory Commission in the Order (2002) Tai-Cai-Zheng-Yi-Zi No. 0910003455 on June 13, 2002.</td><td colspan="5">It is proposed that the Board of Directors should select the specific persons according to Article 43-6 of the Securities and Exchange Act, and such specific persons should be limited to those prescribed by the Financial Supervisory Commission in the Order (2002) Tai-Cai-Zheng-Yi-Zi No. 0910003455 on June 13, 2002.</td></tr>
<tr><td>Reasons for the necessity of private placement</td><td colspan="5">Currently, the Company has to invest in working capital of the group; considering the timeliness, convenience, and issuance cost of fundraising, the Company plans to raise funds through private placement. The private placement is expected to strengthen the Company’s competitiveness and productivity and benefit shareholders’ equity.</td><td colspan="5">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.</td></tr>
<tr><td>Date of full payment for shares</td><td colspan="5">Not yet placed</td><td colspan="5">Not yet placed</td></tr>
<tr><td rowspan="2">Placee Profile</td><td>Target of private placement (Note 5)</td><td>Qualifications (Note 6)</td><td>Quantity of subscription</td><td>Relationship with the Company</td><td>Participation in the operations of the Company</td><td>Target of private placement</td><td>Qualifications</td><td>Quantity of subscription</td><td>Relationship with the Company</td><td>Participation in the operations of the Company</td></tr>
<tr><td>Not yet placed</td><td>Not yet placed</td><td>Not yet placed</td><td>Not yet placed</td><td>Not yet placed</td><td>Not yet placed</td><td>Not yet placed</td><td>Not yet placed</td><td>Not yet placed</td><td>Not yet placed</td></tr>
<tr><td>Actual subscription (conversion) price (Note 7)</td><td colspan="5">Not yet placed</td><td colspan="5">Not yet placed</td></tr>
<tr><td>Difference between actual subscription (conversion) price and reference price</td><td colspan="5">Not yet placed</td><td colspan="5">Not yet placed</td></tr>
<tr><td>Effect of private placement on shareholders' equity (such as increase in accumulated loss)</td><td colspan="5">Not yet placed</td><td colspan="5">Not yet placed</td></tr>
<tr><td>Use of capital raised through private placement and progress of the plan</td><td colspan="5">Repayment of bank loans; replenishment of working capital of the group; improvement in the Company's financial structure, operations, and shareholders' equity.</td><td colspan="5">Repayment of bank loans; replenishment of working capital of the group; improvement in the Company's financial structure, operations, and shareholders' equity.</td></tr>
<tr><td>Realization of benefits of the plan</td><td colspan="5">Not yet placed</td><td colspan="5">Not yet placed</td></tr>
</table>

Note 1: The number of fields may be adjusted based on the frequency of private placement. If there are to be multiple closings, specify each closing separately.
Note 2: Type of privately placed securities may be common shares, preferred shares, convertible preferred shares, preferred shares with warrants, common corporate bonds, convertible corporate bonds, corporate bonds with warrants, overseas convertible corporate bonds, overseas depositary receipts and employee stock warrants.
Note 3: In case of privately placed corporate bonds that require no approval of the shareholders' meeting, fill in the date and amount of approval by the Board of Directors.
Note 4: If placees have been determined for the ongoing private placement, specify the name of the placees and their relationship with the Company.
Note 5: The number of fields may be adjusted as needed.
Note 6: Fill in the qualification set forth in Subparagraph 1, 2 or 3, Paragraph 1, Article 43-6 of the Securities and Exchange Act.
Note 7: Actual subscription (conversion) price refers to that determined at the time of the issuance of privately placed securities.

III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

IV. Other necessary supplement: None.

Chapter 9 Any of the Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act which Might Materially Affect Shareholders' Equity or Price of the Company's Securities in the Most Recent Year up to the Date of Publication of the Annual Report: None.

SOFTSTAR ENTERTAINMENT INC.

Chairman: TU CHUN-KUANG