Stock Code: 6111

SOFTSTAR ENTERTAINMENT INC.

SOFTSTAR ENTERTAINMENT INC.

2019 Annual Report

The information of this annual report can be inquired from the Market Observation Post System (MOPS): http://mops.twse.com.tw and the Company's website (website: http://group.softstar.com.tw)

Printed on May 14, 2020

I. Spokesperson: Hsieh, Ping-Hui / Chief Financial Officer
Tel: 886-2-2722-6266, ext. 130
E-mail: kevin_hsieh@softstar.com.tw
Deputy Spokesperson: Finance Manager Hsieh, Shu-Chin
Tel: 886-2-2722-6266, ext. 141
E-mail: daphne@softstar.com.tw

II. Headquarters
Address: 23F, No. 200, Section 1, Keelung Road, Taipei City
Tel: 886-2-2722-6266

III. Stock Transfer Agent
Yuanta Securities Co., Ltd., Registrar and Transfer Agency Department
Address: B1, No. 210, Section 3, Chengde Road, Taipei City
Tel: 886-2-2586-5859
Website: http://www.yuanta.com.tw

IV. Auditors
Auditors: Yu, Chien-Ju, Yang, Chih-Hui
Ernst & Young, Taiwan
Address: 9F (International Trade Building), No. 333, Section 1, Keelung Road,
Xinyi District, Taipei City
Tel: 886-2-2757-8888
Website: http://www.ey.com.tw/Taiwan

V. Offshore secondary exchange and disclosure information available at: None

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

Contents

Chapter 1 Letter to Shareholders

In collaboration with cross-Strait first-tier manufacturers, the Company's well-known IPs of "Sword and Fairy" and "Xuan Yuan Sword" have been continuously converted to mobile games, which have been successfully released in China, Taiwan, and other foreign countries. In addition to continued revenue contribution from "Sword and Fairy 4" (Mainland China), "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains (Mobile)" (Taiwan, Hong Kong, Macau, and Mainland China), “Richman 10 Single Player Game on Mobile” (Steam platform) and “Legend of the Zyca RPG Mobile Game” (worldwide) were released in 2019 as well. The mobile games of Legend of Sword series, Xuan Yuan Sword series, and Richman series as well as their film and television licenses are part of the revenue. In the future, the Company will strengthen the IP operations of "Sword and Fairy," "Xuan Yuan Sword," "Richman," "Stardom," "Tun Town," and "Empire of Angels" through the development and operations of mobile games, single player games, and online games, and invest in the fields of audiovisual and cultural creativity. Through licensing to and cooperation with first-tier large-scale companies from Taiwan and Mainland China, the Company may ensure that the products of Softstar will never miss out on opportunities in any field or platform, and it will maintain its high investment and quality standards while gaining support from markets and players.

The Company is leading the Chinese gaming market in Mainland China, Taiwan, and Hong Kong. It has established a solid foundation in product development, marketing channels, game operations and IP licensing, and is actively entering the digital content market. Details of 2019 operating performance and 2020 operation prospects are as follows:

I. Overview of 2019 business results

(I) Overview of 2019 business results

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

(II) Budget execution and revenue & expenditure:

Unit: NT$1,000

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

(III) Profitability analysis:

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

(IV) Research and development:

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

II. Overview of 2020 business plan

(I) Operating guidelines

◎ Research and development of games

・ Single player games:

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

・ Mobile games:

In April 2020, "Richman 10 Single Player Game on Mobile" was released globally (excluding China). In 2020, "Sword and Fairy: Nine Wilds (Mobile)" is expected to be launched. In addition, the Company will continue to devote to research and development, establish cooperation with other developers by licensing in terms of mobile game development, and expand cooperation with various platforms to increase revenue and profit.

◎ IP licensing and pan-entertainment authorization cooperation

Develop new games, TV shows, movies, internet dramas, stage plays, animations, and distribute novels or comics through licensing or collaboration. In 2019, the main product released was the "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains" mobile game (Taiwan, Hong Kong, Macao, and Mainland China). The Company's IP brand will work with more cross-disciplinary companies to create more revenue and profit.

◎ Game operation

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

(II) Projected sales

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

(III) Major operations & sales policies

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

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

◎ Continue to expand channels and actively penetrate the network virtual channel and operation platform.
◎ Strengthen cooperation in film and television IP licensing, digital content and cultural and creative industries.

III. Future development strategies of the Company

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

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

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

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

Best wishes

to all shareholders

Chairman:	Tu, Chun-Kuang
President:	TSAY MING-HONG
Chief Accountant:	HSIEH PING-HUI

Chapter 2 Company Profile

I. Date of Incorporation

The Company was founded on Aug. 3, 1998.

II. Company History

The Company, formerly known as Tianshuo Information Co., Ltd., was established on August 3, 1998 and changed its name to Softstar Entertainment Inc. on October 15, 1998. The Company has acquired the assets and liabilities generated from the main operations of its predecessor (the former Softstar), undertaken its existing research and development achievements and human resources, and continued its various operations.

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:

2019	January	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. For the above subscription agreement of SOFTSTAR BEIJING, supplementary agreement I, II, and guarantee contract were signed between SOFSTAR BEIJING and CMGE on May 28, 2018, and January 30, 2019.
	March	The mobile game "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains" was launched in Taiwan, Hong Kong, and Macau.
	April	"Sword and Fairy 6 PS4 Version" was launched in the global market.
	April	capital injection plan for SOFTSTAR BEIJING Supplementary Agreement (III) was signed on April 30, 2019.
	June	In the aforementioned subscription agreement for shares of GoldenSoft, GoldenSoft has received a deposit of RMB 213,000,000. On June 3, 2019, the Company lost its control over GoldenSoft and recognized its disposal gains.
	July	The "Xuan Yuan Sword III: The Scar of the Sky - single player version" was launched in China.
	August	The "Xuan Yuan Sword III: RPG Card Mobile Game H5 version" was

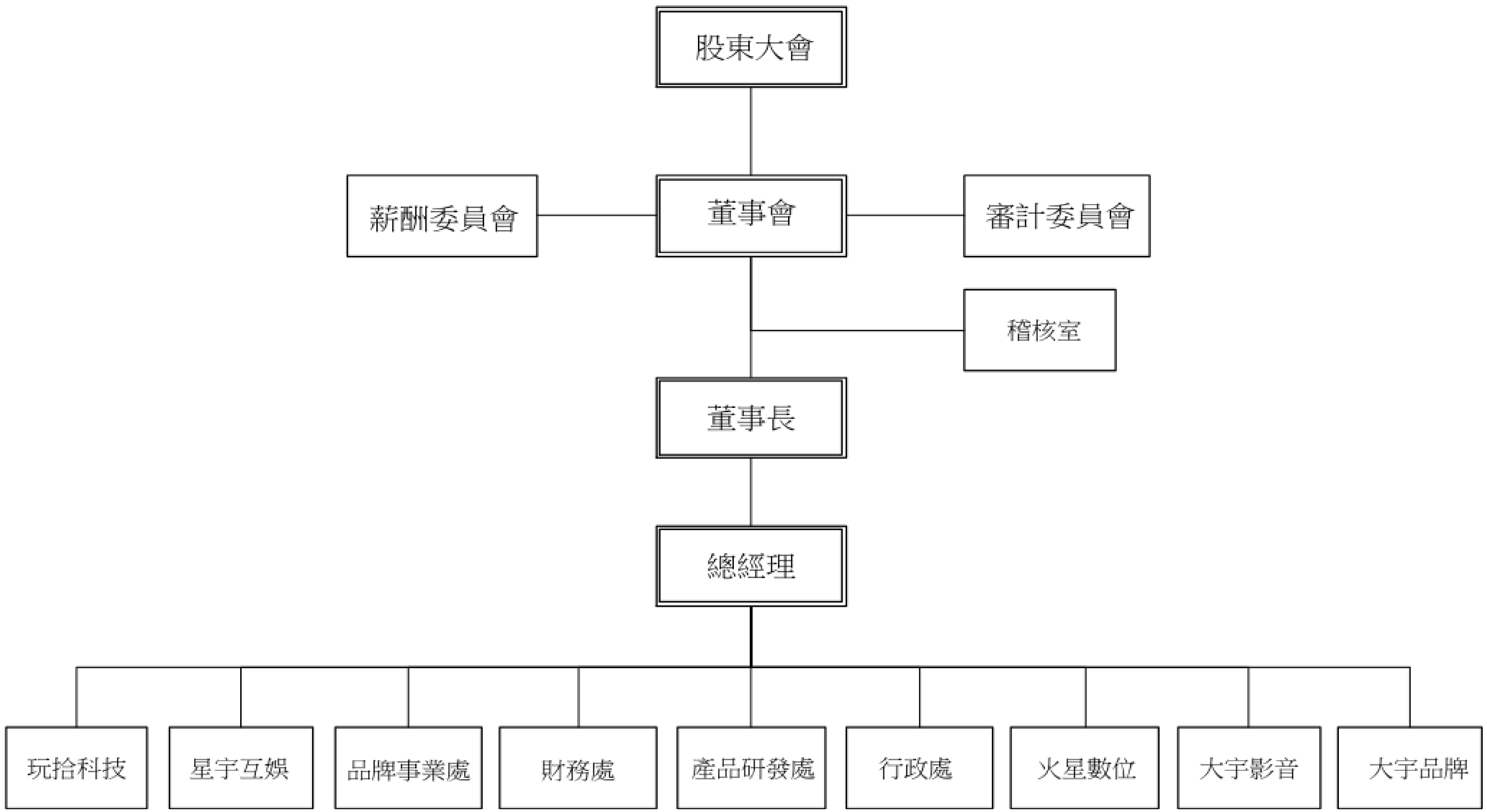
		launched in China.
		The "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains - LINE stickers" was launched in Taiwan.
	October	The "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains" mobile game was launched in China.
		The "Sword and Fairy: Magic Glass Mirror" online animation film was released in China.
		The "Xuan Yuan Sword: Luminary" peripheral products were launched in China.
		The "Richman 10 single player version mobile game" was launched on steam platform.
	November	With respect to the aforesaid subscription agreement for shares of GoldenSoft, GoldenSoft received the subscription price of RMB 213,000,000 from CMGE on November 18, 2019, and the capital increase of GoldenSoft has been completed.
	December	The "Legend of the Zyca: RPG mobile game" was launched globally.
		The "Richman: co-brand wine" was launched in Taiwan
2020	February	The "Tun Town: board game" was launched in Taiwan
	March	The "Sword and Fairy: mobile game" was launched in China.
	April	The "Richman 10: single player version mobile game" was launched globally (except for China).

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational structure

May 14, 2020



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
玩拾科技	星宇互娛	品牌事業處	財務處	產品研發處	行政處	火星數位
Perfecten Corporation	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	IP Business Division	Finance Division	Research & Development Division	Headquarters Administration Division	Marsware Entertainment Inc.
					大宇品牌	大宇影音
					Softstar Creative Inc.	Softstar Agency Co., Ltd.

(II) Functions of major departments

Departments	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.
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. 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

April 11, 2020

Unit: Share

Title	Nationality or domicile	Name	Gender	Date of Assumption	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:			Remark (Note 1) End of the full text
							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	2018.11.01	Three Years	2014.01.17 (Note 2)	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	None
Director	British Cayman Islands	Angel Fund (Asia) Investments Limited	-	2017.06.22	Three Years	2014.01.17	9,018,562	18.72%	7,798,562	15.83%	_	_	_	_	N/A	None	None	None	None	None
	The Republic of China	Representative - YAO, CHUANG-HSIEN	Male	2017.06.30	Note 5	2017.06.30	114,399	0.24%	7,199	0.01%	0	0%	0	0%	Mining and Metallurgy Department, Taipei Institute of Technology Manager of Development Department, Softstar Entertainment Inc.	Note 2	None	None	None	None
Director	The British Virgin Islands	China Development Mobile Technology Co., Ltd.	—	2017.06.22	Three Years	2014.01.17	1,812,500	3.76%	1,816,500	3.69%	_	_	_	_	N/A	None	None	None	None	None
	The Republic of China	Representative - LIN, CHIA-LI	Female	2017.06.30	Note 5	2017.06.30	0	0%	0	0%	0	0%	0	0%	MBA, Royal Roads University, Canada	Note 3	None	None	None	None
Director	Samoa	KAL Holdings Corp	—	2017.06.22	Three Years	2017.06.22	2,000	0%	2,000	0%	_	_	_	_	N/A	None	None	None	None	None
	The Republic of China	Representative - SU, CONG-RU	Male	2017.12.19	Note 5	2017.12.19	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	None
	The Republic of China	Representative - KO AN LIN	Male	2019.01.30	Note 5	2019.01.30	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	None
Independent Director	The Republic of China	HUNG, PI-LIEN	Female	2017.06.22	Three Years	2017.06.22	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	None
Independent Director	The Republic of China	TSAI, CHENG-YUN	Male	2017.06.22	Three Years	2017.06.22	0	0%	0	0%	0	0%	0	0%	Accounting Statistics Department, Private Tamsui Oxford College Manager, CTBC Bank Co., Ltd.	None	None	None	None	None
Independent Director	The Republic of China	HSIEH, GUO-DONG	Male	2017.06.22	Three Years	2017.06.22	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	None

Note I: If the chairman of the Company is the same person, spouse or relative of first degree as the general manager or the person holding equivalent position (top manager), he/she shall explain the reasons, rationality, necessity, corresponding measures (such as increasing the number of Independent Directors, keeping more than half of the Directors not concurrently serving as employees or managers, etc.) and other related information :

Note II: Chairman TU, CHUN-KUANG was firstly elected as the Company's Director (Chairman) on January 17, 2014, and then on June 22, 2017, when the Company's Directors were fully re-elected, he served as the representative of the Company's corporate director Angel Fund (Asia) Investments Limited; On October 31, 2018, Mighty Build Ventures Limited. resigned as a corporate director, and the Company held an interim shareholders' meeting on November 1, 2018 to elect a director by way of replacement: Mr. TU, CHUN-KUANG who also serves as the Chairman.

Note 1: Chairman of SOFTSTAR ENTERTAINMENT INC., Director of SOFTSTAR INTERNATIONAL INC., MAURITIUS WEBSTAR INC., SOFTSTAR GLOBAL INC. and SOFTSTAR ANIMATION LIMITED, Chairman of LOFTSTAR INTERACTIVE ENTERTAINMENT INC., Director of SOFTSTAR AGENCY CO., LTD., Chairman of Softstar Creative Inc. (originally known as WECOOL GAME CO., LTD.), Director of Softstar Technology (Beijing) Co., Ltd., Director of Double Edge Entertainment Corp. (corporate representative of Softstar Entertainment Inc.), Director of Gamebase Digital Media Corporation (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, 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, Director of Tokyo Fashion Co.,Ltd., Cocoro Fashion Co., Ltd. (corporate representative of Bakesi Wine Group Co., Ltd.).

Note 2: Director and President of Softstar Technology (Beijing) 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. 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 June 30, 2017 until the reassignment made by the corporate; KAL Holdings Corp. re-assigned the Representative since January 30, 2019 (re-assigned from Mr. SU, CONG-RU to Mr. KO AN LIN).

Table 1: Substantial shareholders of corporate shareholders

April 11, 2020

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 Co., 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.
Note 3: For corporate shareholders who are not under the organization of the Company, the name and shareholding of the shareholders shall be disclosed (i.e. name of the investor or donor and their investment or donation ratio).

Table 2: Substantial shareholders of corporate shareholders

April 11, 2020

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.
Note 3: For corporate shareholders who are not under the organization of the Company, the name and shareholding of the shareholders shall be disclosed (i.e. name of the investor or donor and their investment or donation ratio).

Condition / Name	Meets one of the following professional qualification requirements, together with at least five years of work experience			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	11	12	
Chairman TU, CHUN-KUANG			V	V		V	V		V	V	V	V	V	V	V	0
Director Angel Fund (Asia) Investments Limited Angel Fund (Asia) Investments Limited				V	V		V	V	V	V	V	V		V		0
Representative - YAO, CHUANG-HSIEN			V			V	V	V	V	V	V	V	V	V		0
Director of China Development Mobile Technology Co., Ltd.				V	V		V	V	V	V	V	V		V		0
Representative - LIN, CHIA-LI			V	V	V	V	V	V	V	V	V	V	V	V		0
Director KAL Holdings Corp.				V	V	V	V	V	V	V	V	V		V		0
Representative - KO AN LIN			V	V	V	V	V		V	V	V	V	V	V		0
Independent Director HONG, PI-LIEN		V	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director TSAI, CHENG-YUN			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director HSIEH, GUO-DONG			V	V	V	V	V	V	V	V	V	V	V	V	V	0

Note 1: Please tick the boxes for the conditions if the Directors who meet the below-mentioned conditions in two years prior to the nomination and during his/her term of service.

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

(2) Not serving as a Director or Supervisor of the Corporation or any affiliated business (this does not apply in cases where the person is an Independent Director of the Company, its parent or subsidiary or a subsidiary of the same parent company 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, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer as stated in (1) or any of the persons mentioned in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or a top 5 shareholder, or

a director or supervisor representative appointed by the Company in accordance with paragraph 1 or 2, Article 27 of the Company Act (excluding independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).

(6) Not a director, supervisor, or employee of another company that the majority of its directors or the shares with voting rights are controlled by the same person (excluding independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).

(7) Not a director, supervisor, or employee of another company or an institution who is concurrently a chairman, general manager, or equivalent position of the Company or a spouse thereof (excluding independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations)

(8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company (excluding specified companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).

(9) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, nor a spouse thereof with a total compensation below NT$500,000 in the most recent two years. However, members of the Remuneration Committee, Public Acquisition Review Committee, or Merger and Acquisition Special Committee who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

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

(11) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(12) 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

April 11, 2020

Title	Nationality	Name	Gender	Date Elected (Appointed) Date	Shareholding		Spouse and Minors Shareholding		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			Remark (Note 1)
					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-Hung	Male	2017.06.30	102,827	0.21%	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. Vice President of Development Department, Softstar Entertainment Inc.	Note 1	None	None	None	None
COO	The Republic of China	Chen, Yao-Tien	Male	2014.02.07	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 CEO of the Greater China region, GigaMedia branch Director of Spring House Entertainment Tech.	Note 2	None	None	None	None
COO	The Republic of China	Lien, Chien-Chin	Male	2014.02.07	2,000	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 Manager of Development Department, Guanjiapo Technology Assistant manager of Development Department, Silicon Integrated Systems General Manager of Joymaster Inc.	Note 3	None	None	None	None
Vice President	The Republic of China	Hsieh, Ping-Hui	Male	2015.06.24	34,100	0.07%	0	0%	0	0%	Accounting Department of Feng Chia University Assistant manager, 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	None
Vice President	The Republic of China	Yao, Chuang-Hsien	Male	2005.02.01	7,199	0.01%	0	0%	0	0%	Mining and Metallurgy Department, Taipei Institute of Technology Manager of Development Department, Softstar Entertainment Inc.	Note 5	None	None	None	None
Vice President	The Republic of China	Lin, Hui-Chen	Female	2015.04.16	28,000	0.06%	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 Assistant manager, Administrative Department, Softstar Entertainment	Note 6	None	None	None	None
Vice President	The Republic of China	Chang, Shu-Fen	Female	2015.11.01	-	-	-	-	-	-	Department of Mass Communication, Tamkang University Vice President, Joy Media Group Chief officer, Harvest 365 Foundation Vice President, Xiang Pictures	Note 7	None	None	None	None
Vice President	The Republic of China	Chang, Hsiao-Chuan	Male	2017.06.30	-	-	-	-	-	-	Art Department, Fu-Hsin Trade & Arts School Development director of Shanghai Softstar, Softstar Entertainment Shanghai R&D COO, GAMANIA Senior producer, DeNA	Note 8	None	None	None	None
Director	The Republic of China	Jao, Jui-Chun	Male	2016.02.01	14,938	0.03%	0	0%	0	0%	Mining and Metallurgy Department, Taipei Institute of Technology Senior Manager, 3rd Development Department, Softstar Entertainment	None	None	None	None	None

Note 1: If the General Manager or the person holding equivalent position (top manager) of the Company is the same person, spouse or the first-degree relative, he/she shall explain the reasons, rationality, necessity, corresponding measures (such as increasing the number of Independent Directors with more than half of the Directors not concurrently serving as employees or managers, etc.) and other related information :

Note 1: 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. and Supervisor of Fairy Palm Inc.

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

Note 4: Director of LOFTSTAR INTERACTIVE ENTERTAINMENT INC., Supervisor of Softstar Technology (Beijing) Co., Ltd., Director of KobeCo., Ltd., Director of A.R.T. Games Co. Ltd (corporate representative of Softstar Entertainment Inc.) and Supervisor of Gamebase Digital Media Corporation.

Note 5: Director and President of Softstar Technology (Beijing) Co., Ltd.

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

Note 7: Resigned on December 31, 2019.

Note 8: Transferred to the position of President of Softstar Technology (Shanghai) Co., Ltd. on December 31, 2019.

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

(I) Remuneration of general directors and independent directors December 31, 2019

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)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (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	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	
																Cash	Stock	Cash	Stock			
Chairman	TU, CHUN-KUANG	1,080	1,080	0	0	3,394	3,394	396	396	1.50	1.50	9,172	9,968	147	147	774	0	774	0	4.59	4.83	1,434
Director	Angel Fund (ASIA) Investments Limited, British Cayman Islands																					
	Representative: YAO, CHUANG-HSIEN																					
Director	China Development Mobile Technology Co., Ltd., British Virgin Islands																					
	Representative: LIN, CHIA-LI																					
Director	KAL Holdings Corp., Samoa																					
	Representative: KO AN LIN (Note 12)																					
Independent Director	HUNG, PI-LIEN																					
Independent Director	TSAI, CHENG-YUN																					
Independent Director	HSIEH, GUO-DONG																					

1. Please illustrate the policies, systems, standards and structure of independent directors' remuneration, as well as the correlation between the remuneration and the responsibilities, risks, and time:

   According to Article 14-3 of the Securities and Exchange Act and relevant laws and regulations, the duties of an independent director may include the following matters. If an independent director has any objection or reservation, it shall be recorded in the minutes of the board meeting:

   (1) Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.

   (2) Adoption or amendment of procedures for acquisition or disposal of assets, engaging in derivative trading, lending funds to others, and making endorsements or providing guarantees pursuant to Article 36-1 of the Securities and Exchange Act.

   (3) Matters bearing on the personal interest of a director or a supervisor.

   (4) Major assets or derivatives trading.

   (5) Significant lending, endorsement or provision of guarantees.

   (6) Raising, issuing, or private placing of equity-type securities.

   (7) Appointment, dismissal, and compensation of CPAs.

   (8) Appointment and dismissal of finance, accounting, or internal audit supervisors.

   (9) Other major items required by the competent authority.

   The Company has formulated the "Rules for the Scope of Duties of Independent Directors" and "Remuneration Policy for Directors and Managers". The Company has three Independent Directors, and all Independent Directors form a Remuneration Committee and an Audit Committee. The remuneration of Independent Directors shall be fixed monthly and shall not participate in the Company's profit distribution.

2. Other than disclosure in the above table, Directors remunerations received by providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the 2019 financial statements: None.

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 in the financial report (Note 9) H	The Company (Note 8)	Parent company and all investees (Note 9) I
Below NT$1,000,000	Angel Fund (ASIA) Investments Limited, British Cayman Islands/China Development Mobile Technology Ltd., British Virgin Islands and Representative LIN, CHIA-LI/KAL Holdings Corp., Samoa and Representative KO AN LIN/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG/YAO CHUANG HSIEN	Angel Fund (ASIA) Investments Limited, British Cayman Islands/China Development Mobile Technology Ltd., British Virgin Islands and Representative LIN, CHIA-LI/KAL Holdings Corp., Samoa and Representative KO AN LIN/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG/YAO CHUANG HSIEN	Angel Fund (ASIA) Investments Limited, British Cayman Islands/China Development Mobile Technology Ltd., British Virgin Islands and Representative LIN, CHIA-LI/KAL Holdings Corp., Samoa and Representative KO AN LIN/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG	Angel Fund (ASIA) Investments Limited, British Cayman Islands/China Development Mobile Technology Ltd., British Virgin Islands and Representative LIN, CHIA-LI/KAL Holdings Corp., Samoa and Representative KO AN LIN/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG
NT$1,000,000 (inclusive) – NT$2.000,000 (exclusive)	None	None	None	None
NT$2,000,000 (inclusive) - NT$3,500,000 (exclusive)	TU, CHUN-KUANG	TU, CHUN-KUANG	TU, CHUN-KUANG	TU, CHUN-KUANG
NT$3,500,000 (inclusive) – NT$5,000,000 (exclusive)	None	None	None	None
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	Yao, Chuang-Hsien	Yao, Chuang-Hsien
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	10 persons	10 persons	10 persons	10 persons

Note 1: The names of Directors shall be listed separately (names of corporate shareholders and corporate representatives shall be listed separately), general Directors and Independent Directors shall be listed respectively and the payment amounts shall be disclosed collectively. This table and table (3-1), or tables (3-2-1) and (3-2-2) below shall be filled out if a director concurrently serves as the President or Senior Vice President.

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 the net profit after tax in the most recent parent company only or individual financial report.

Note 11:

a. This field should clearly indicate the amount of remuneration received by the Company's directors from a reinvestment business other than a subsidiary or the parent company (if not, please fill in "none").
b. If the Director of the Company receives remuneration from investee companies other than subsidiaries of parent company, the amount of remuneration received by the Director from the investee companies other than subsidiaries and parent company shall be combined into Column I of the Table of remuneration ranges, and this column shall be renamed as "parent company and 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 or parent company.

＊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: KAL Holdings Corp re-appointed a representative from January 30, 2019 (Mr. KO AN LIN was appointed to replace Mr. SU, CONG-RU).

(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 2019.

(III) Remuneration for the President and Vice President

December 31, 2019

Unit: NT$1,000/thousand shares

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and Special Expenses (C) Special Allowance (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)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (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	
								Cash	Stock	Cash	Stock			
President	Tsay, Ming-Hung	62,013	65,443	969	969	1,846	2,070	3,633	0	3,633	0	21.00	22.12	4,331
Vice President	Chen, Yao-Tien													
Vice President	Lien, Chien-Chin													
Vice President	Yao, Chuang-Hsien													
Vice President	Hsieh, Ping-Hui													
Vice President	Chang, Shu-Fen													
Vice President	Lin, Hui-Chen													
CTO	Chang, Hsiao-Chuan													

Table of remuneration ranges

Levels of compensation paid to each individual President and Vice Presidents of the Company Remuneration Brackets	Name of President and Vice President	
	The Company (Note 6)	Parent company and all investee companies (Note 7) E
Below NT$1,000,000	None	None
NT$1 million (inclusive)~NT$2 million (exclusive)	Chang, Shu-Fen	Chang, Shu-Fen
NT$2,000,000 (inclusive) - NT$3,500,000 (exclusive)	None	None
NT$3.5 million (inclusive)~NT$5 million (exclusive)	None	None
NT$5,000,000 (inclusive) - NT$10,000,000 (exclusive)	CHEN, YAO-TIEN, LIEN CHIEN CHIN, HSIEH PING HUI, LIN, HUI-ZHEN	CHEN, YAO-TIEN, LIEN CHIEN CHIN, HSIEH PING HUI, LIN, HUI-ZHEN
NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive)	TSAY, MING-HONG, YAO, CHUANG-HSIEN,CHANG HSIAO CHUAN	TSAY, MING-HONG, YAO, CHUANG-HSIEN,CHANG HSIAO CHUAN
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. This table and table (1-1), or tables (1-2-1) and (1-2-2) below shall be filled out if a director concurrently serves as the President or Senior Vice President.

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.

Note 5: The total amount of the remuneration of all the companies (including the Company) in the combined report to the General Manager and Deputy General Manager of the company should be disclosed.

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 income after tax refers to net income after tax listed in the individual or stand-alone financial statements in the most recent year.

Note 9:

a. This field should clearly indicate the amount of remuneration received by the Company's general manager or vice general manager from a reinvestment business other than a subsidiary or the parent company (if not, please fill in "none").

b. If the president and vice presidents of the Company receive remuneration from invested companies other than subsidiaries or parent company, the remuneration received by the president and vice presidents of the Company from invested companies other than subsidiaries or parent company shall be included in Column E in the Remuneration Range Table, and the column heading shall be changed to "Parent Company and all Invested Companies."

c. Remuneration in this case refers to remuneration, bonuses (including employee, director, or supervisor bonuses), and allowances received by the president and vice presidents of the Company as the directors, supervisors, or managerial officers of invested companies other than subsidiaries or parent company.

＊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.

Amount of Employee Bonus Paid to Managerial Officers and Their Names:

December 31, 2019

Unit: NT$1,000

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio of total amount to net income (%)
Executive Officers	President	Tsay, Ming-Hung	0	3,831	3,831	1.18%
	Vice President	Chen, Yao-Tien				
	Vice President	Lien, Chien-Chin				
	Vice President	Yao, Chuang-Hsien				
	Vice President	Hsieh, Ping-Hui				
	Vice President	Chang, Shu-Fen				
	Vice President	Lin, Hui-Chen				
	CTO	Chang, Hsiao-Chuan				
	Assistant President	Rao, Rui-Jun				

Note 1: Names and titles shall be disclosed separately but the amount of profit distributed can be disclosed collectively.

Note 2: Refers to compensations paid to the Managers (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year. 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 3: Managerial officers herein as defined in FSC's Decree No. 0920001301 include on March 27, 2003

(1) General Manager and equivalents

(2) Deputy General Manager and equivalents

(3) Assistant General Manager and equivalents

(4) Head of Financial Department

(5) Head of Accounting Department

(6) Other people in charge of the Company's operational affairs and entitled to sign instruments on behalf of the Company.

Note 4: If any Director, General Manager and Deputy General Manager received employee bonus (including stocks and cash), not only Table 1-2 shall be completed, in this table shall be filled out as well.

(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	2018				2019			
	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)	5,683	7,959	6.47	9.06	14,963	15,759	4.59	4.83
Supervisor	-	-	-	-	-	-	-	-
Presidents and Vice President	21,935	29,845	24.98	33.98	68,461	72,115	21.00	22.12

Note: Remuneration for Directors include remuneration for Directors as concurrent employees. For 2018, the profit after tax in the parent company only financial report was NT$87,823 thousand. For 2019, the profit after tax in the parent company only financial report was NT$326,039 thousand. Re-election for all Directors was carried out at the shareholders' meeting of the Company on June 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:

(1) Board of Directors

A total of 7(A) meetings were held by the Board in the past year (2019). The attendance of the Directors are as follows:

Title	Name (Note 1)	Actual attendance rate (B)	Number of delegated attendance	Rate of Actual Attendance (%) [B/A] (Note 2)	Remark
Chairman	TU, CHUN-KUANG	7	0	100.00	
Director	Angel Fund (ASIA) Investments Limited, British Cayman Islands (Representative: YAO, CHUANG-HSIEN)	7	0	100.00	
Director	China Development Mobile Technology Co., Ltd., British Virgin Islands (Representative: LIN, CHIA-LI)	1	0	14.29	
Director	KAL Holdings Corp., Samoa (Representative: KO AN LIN)	5	1	71.43	
Independent Director	HUNG, PI-LIEN	7	0	100.00	
Independent Director	TSAI, CHENG-YUN	7	0	100.00	
Independent Director	HSIEH, GUO-DONG	5	2	71.43	

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:
Matters included in Article 14-3 of the Securities and Exchange Act: 7 Board meetings were convened during 2019; the resolutions are as disclosed on page 48 to page 49 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 from certain proposals due to conflict of interest, please state the names of the Directors, the content of the proposal, reasons for abstentions and their participation in the voting:

(1) On March 19, 2019, the 10th case of the discussion of the Board of Directors: the case of lifting the restriction on non-competition of directors and their representatives: all the Directors present, excluding TU, CHUN-KUANG and KO AN LIN, who have abstained due to interest, passed the case without objection.

(2) The 8th proposal for discussion at the Board meeting on Aug. 13, 2019: The proposal for the distribution of remuneration for employees to managerial officers of the Company in 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.

III. TWSE/TPEx listed companies shall disclose information such as the evaluation cycle and period, scope, method, and items of the Board's self (or peer) evaluation, and fill out the implementation status of evaluation of the Board in Table 2(2). IV. 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.

(2) Evaluation of the performance of the Board of Directors

Evaluation cycle (Note 1)	Annually
Period of Evaluation (Note 2)	Evaluation of the performance for the Board of Directors from January 1, 2019 to December 31, 2019
Scope (Note 3)	Including performance evaluation of Board of Directors, individual directors and functional committee
Evaluation methods (Note 4)	In 2019, the Company adopted internal self-assessment of the Board of Directors and functional committee, and self-assessment of the members of the Board; and appointed Ernst & Young to carry out the external performance evaluation of the Board of Directors in 2019
Assessment Content (Note 5)	(1) Self-assessment Performance evaluation of the Board of Directors: At least include the level of participation in the Company's operations, the quality of the

	Board of Directors' decisions, the composition and structure of the Board of Directors, the election and continuous education of directors, internal control, etc. Performance evaluation of individual Directors: at least including the mastery of the Company's objectives and tasks, the cognition of Directors' responsibilities, the degree of participation in the Company's operation, internal relationship management and communication, Directors' professional and continuous learning, internal control, etc. Performance evaluation of the functional committees: At least include the level of participation in the Company's operations, the cognition of duties of functional committees, the quality of the functional committees' decisions, the composition and election of the members of the functional committees, internal control, etc. (2) External evaluation (every three years) On December 24, 2019, the Company engaged EY Taiwan (hereinafter referred to as EY) to conduct the evaluation of the Board performance for 2019 in terms of structure, people, and process and information through documentation review, self-evaluation survey, and on-site interview. The evaluation ranged over the Board structure and process, Board members, corporate organization, roles and responsibilities, behavior and culture, director training and development, supervision of risk control, and supervision of reporting, disclosure, and performance.

Note 1: Fill in the evaluation cycle of the Board of Directors. For example: once a year.

Note 2: Fill in the period covered by the evaluation covered by the Board of Directors. For example: The performance evaluation of the Board of Directors from January 1, 2019 to December 31, 2019.

Note 3: The scope of the evaluation includes the performance evaluation of the Board of Directors, individual board members and functional committees.

Note 4: The evaluation methods include self-evaluation of the Board of Directors, self-evaluation of the Directors, peer evaluation, appointment of external professional institutions or experts, or other appropriate methods.

Note 5: The evaluation content includes at least the following items according to the evaluation scope:

(1) Performance evaluation of the Board of Directors: At least include the level of participation in the Company's operations, the quality of the Board of Directors' decisions, the composition and structure of the Board of Directors, the election and continuous education of directors, internal control, etc.

(2) Performance evaluation of individual Directors: at least including the mastery of the Company's objectives and tasks, the cognition of Directors' responsibilities, the degree of participation in the Company's operation, internal relationship management and communication, Directors' professional and continuous learning, internal control, etc.

(3) Performance evaluation of the functional committees: At least include the level of participation in the Company's operations, the cognition of duties of functional committees, the quality of the functional committees' decisions, the composition and election of the members of the functional committees, internal control, etc.

(II) Audit Committee

Since June 22, 2017, the Company has set up an Audit Committee to replace the Supervisors. The Audit Committee is composed of three Independent Directors. The purpose of the Audit Committee is to assist the Board of Directors to fulfill its quality and integrity in supervising the Company's implementation of accounting, audit, financial reporting process and financial control.

The Audit Committee held 7 meetings in 2019, and the major matters reviewed include:

(1) Review annual and quarterly financial reports of the Company
(2) Revision of internal control system and assessment of effectiveness of internal control
(3) Assessing the independence of CPAs
(4) Funds raising, issuance or private placement of marketable securities
(5) Major extension of loans or endorsements/guarantees
(6) Major capital increase of subsidiaries
(7) Matters involving the Directors' own interests, such as lifting the restriction of non-competition.

The Audit Committee has held 7 (A) meetings in the most recent year (2019), and the attendance is as follows:

Title	Name	Actual attendance rate (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Note)	Remark
Independent Director	HUNG, PI-LIEN	7	0	100.00	
Independent Director	TSAI, CHENG-YUN	7	0	100.00	
Independent Director	HSIEH, GUO-DONG	5	2	71.43	

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
2019.1.30	1st Board 12th Meeting	(1) Proposal for the capital increase for its subsidiary, Softstar Technology (Beijing) Co., Ltd. (Supplementary agreement to be signed)	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.

2019.3.19	1st Board 13th Meeting	(1) Proposal for self-inspection on the internal control system for 2018 (2) Proposal for private placement of ordinary shares (3) Proposal for the financial report for 2018 (4) Revision of internal control system (5) Revision of the Procedure for the Acquisition and Disposal of Assets (6) Proposal for canceling the non-competition restriction on the Directors and its representatives (7) Provide endorsement and guarantee for its subsidiary, Softstar Technology (Beijing) Co., Ltd. (8) Amendments to the loans to others provided by the subsidiary "Softstar International Inc."	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
2019.4.30	1st Board 14th 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.
2019.5.10	1st Board 15th Meeting	(1) Provide endorsement and guarantee 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.
2019.8.13	1st Board 16th Meeting	(1) Provide endorsement and guarantee for its subsidiary, Softstar Technology (Beijing) Co., Ltd. (2) Cancellation of loans to others by subsidiary Softstar International Inc.	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.

2019.10.30	1st Board The 17th Session	(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.
2019.11.12	1st Board The 18th Session	(1) Annual audit plan for 2020	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. In regards to the recusal of Independent Directors from voting due to conflict of interests, the Independent Directors' names, contents of the proposal, causes for recusal and voting outcomes shall be specified: None

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.

* If Independent Directors are re-elected before the end of the fiscal year, incoming and outgoing Independent Directors shall be listed accordingly and the "Remark" column shall indicate whether the status of an independent Director is "Outgoing", "Incoming" or "Re-elected" and the date of re-election. Actual presence rate (%) shall be calculated using the number of the Audit Committee meetings convened and actual presence during the term of service.

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

<table>
<tr><th rowspan="2">Assessment item</th><th colspan="3">Operations (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>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?</td><td>✓</td><td></td><td>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.</td><td>No material deviation.</td></tr>
<tr><td>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?</td><td>✓
✓
✓
✓</td><td></td><td>(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.</td><td>No material deviation.</td></tr>
<tr><td>III. Composition and responsibilities of the Board
(I) Has the Company established a</td><td>✓</td><td></td><td>(I) The Company has established the diversification policy for the</td><td></td></tr>
</table>

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
diversification policy for the composition of its Board and has it been implemented accordingly?			composition of its Board; the Board members generally have required knowledge, skills, 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.	No material deviation.
(II) Other than the Remuneration Committee and the Audit Committee required by law, does the Company plan to establish other functional committees voluntarily?		✓	(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. At present, the Company has no other functional committee.	
(III) Did the company stipulate regulations for performance evaluation of the board, and its evaluation method, and conduct performance evaluation on a yearly basis; and submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term?	✓		(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. 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.	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
(IV) Has the Company regularly implemented assessments on the independence of the CPA?	✓		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 (2019) On December 24, 2019, the Company engaged EY Taiwan (hereinafter referred to as EY) to conduct the evaluation of the Board performance for 2019 in terms of structure, people, and process and information through documentation review, self-evaluation survey, and on-site interview. The evaluation ranged over the Board structure and process, Board members, corporate organization, roles and responsibilities, behavior and culture, director training and development, supervision of risk control, and supervision of reporting, disclosure, and performance. The details and improvement suggestions of the aforesaid performance appraisal have been submitted to the Board of Directors on March 5, 2020, and applied to the reference of individual Directors' remuneration and nomination for re-appointment. (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: 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	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
IV. Did the TWSE/TPEx listed company has qualified and an appropriate number of corporate governance personnel, and appointed corporate governance directors responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information for operation, assisting directors and supervisors in following regulations, handling matters related to Board meetings and the shareholders' meetings in accordance with the regulations, preparing minutes for Board meetings and the 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 (but not limit to) 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. V. Affairs related to investors relation. VI. Other matters stated in the Articles of Association or contracts.	No material deviation.
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.

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
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.)? (III) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial report of the first, second and third quarters and the operation of each month in advance before the specified time limit?	✓ ✓	 ✓	(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. (III) The time limit for announcement and declaration of financial statements is as follows: annual financial report: within 3 months after the end of each fiscal year (before March 31); financial report of the first, second and third quarters: within 45 days after the end of each quarter (before May 15, August 14 and November 14). Although the Company's annual financial report has not been announced within two months after the end of the year, the financial report and the revenue of each month have been announced within the time limit in accordance with the law.	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 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)?	✓		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 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.	No material deviation.

<table>
<tr><th rowspan="2">Assessment item</th><th colspan="3">Operations (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>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 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.</td><td></td></tr>
<tr><td colspan="5">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 2019 in April 2020. The Company shall improve the following corporate governance review items in 2020:
All Directors are encouraged to increase their study hours.</td></tr>
</table>

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:

(1) Information of the members of Remuneration Committee

Identity (Note 1)	Condition / Name	together with at least five years of work experience Meets one of the following professional qualification requirements,			Compliance with the Independence (Note 2)										Number of other publicly listed companies where the individual concurrently serves as a member of the Remuneration Committee	Remark
		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	9	10		
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 an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. (Not applicable in cases where the person is an independent director of the company, its parent company, any subsidiary or a subsidiary of the same parent company as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

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

(4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings (Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.).

(6) Not a director, supervisor or employees of another company controlled by the same person with more than half of the Company's director seats or voting shares. Not

applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(7) Not a director, supervisor, or an employee of a company where the chairman, president or any equivalent position are held by the same person or by his/her spouse separately. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company (excluding specified companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).

(9) Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution, or a spouse thereof, that provides commercial, legal, financial, accounting services or consultation to the Company or its affiliated companies, or those made an accumulated profit of less than NT$500,00 over the last 2 years. However, members of the Remuneration Committee, Public Acquisition Review Committee, or Merger and Acquisition Special Committee who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

(10) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

Note 3: Responsibilities of the Compensation Committee:

(1)On December 27, 2011, the Board of Directors decided to adopt the "Organizational Procedures of the Remuneration Committee" and set up the "Remuneration Committee".

(2) There are three members of the Remuneration Committee of the Company, all of whom are Independent Directors. The Remuneration Committee of the Company shall exercise the care of an administrator with good faith, faithfully fulfill the following functions and power, and submit the recommendations to the Board of Directors for discussion.

1. Regularly review the "Organization Procedures of Remuneration Committee" and propose suggestion for amendment.
2. Establish and regularly review the performance evaluation standard, annual and long-term performance objectives, and remuneration policies, systems, standards and structure of the Company's Directors and managers.
3. Periodically assessing the degree to which performance goals for the Directors and managerial officers of the Company have been achieved, and setting the types and amounts of their individual compensation based on the performance evaluation results.

(2) Operations of 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; 2(A) meetings were held by the Remuneration Committee in the past year (2019), 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)	Remark
Independent Director (convener)	HUNG, PI-LIEN	2	0	100	
Independent Director	TSAI, CHENG-YUN	2	0	100	
Independent Director	HSIEH, GUO-DONG	2	0	100	

The date, session, content of the proposal and resolution of the proposal in the Remuneration Committee's meeting in the most recent year and The Company's disposal of the compensation committee's opinions:

Date of Meeting	Period	Agenda	Resolutions of the Remuneration Committee	The Company's actions in response to the opinions of the Remuneration Committee
2019.3.19	The 7th meeting of the 4th Board	(1) Proposal for the distribution of employee and Director remunerations for 2018	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.
2019.8.13	The 8th meeting of the 4th Board	(1) Proposal for distribution of Directors' remuneration in 2018 (2) Proposal for distribution of managers in employee compensation in 2018	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.

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) Corporate Social Responsibility (CSR), Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Assessment item	Operations (Note 1)			Differences with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary (Note 2)	
I. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 3)	✓		Where environmental, social and corporate governance issues have a significant impact on the Company's investors and other stakeholders, the Company will include them in the corporate social responsibility issues and will work out risk management measures.	No material deviation
II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	✓		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.	No material deviation
III. Environmental Issues (I) Has the Company established proper environmental management systems based on the characteristics of their industries? (II) Has the Company committed to improving the efficient use of resources and utilized renewable resources to reduce environmental impact? (III) Does the Company assess the potential risks and opportunities brought by climate changes, both for now and in the future, and take measures to cope with? (IV) Does the Company conduct statistics on the greenhouse gas emissions, water	✓ ✓ ✓ ✓		(I) 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. (II) 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.	No material deviation

Assessment item	Operations (Note 1)			Differences with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary (Note 2)	
consumption, and total weight of waste for the past two years, and correspondingly formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?			(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 cutlery, and resources recycling and reuse. (IV) The Company is located in the office building. It advocates the conservation and recycling of water consumption and waste quantity. In addition, the temperature control of the air conditioner is also regulated by the central system, so as to play the role of energy conservation and carbon reduction.	
IV. Social Issues (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 and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation 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? (IV) Has the Company established an effective competency development career training	✓ ✓ ✓ ✓		(I) The Company complies with relevant labor regulations and has established "Working Rules" and "Regulations for Employees Welfare" to protect labor rights. (II) 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. (III) The Company provides a fine working environment, carries out employee health inspection, and purchases group insurance for all employees. (IV) In order to improve the required skills and management abilities of employees for the	No material deviation

Assessment item	Operations (Note 1)			Differences with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary (Note 2)	
program for employees?			performance of their duties, the Company encourages its employees to participate in classes for training and values its internal training and experience sharing.	
(V) Has the company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?	✓		(V) 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. 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.	
(VI) Has the company formulated a vendor management policy requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights, and supervised their compliance?	✓		(VI) The Company collects relevant information before signing contracts with suppliers and adopts the measure of annual evaluation for suppliers. 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 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.	

Assessment item	Operations (Note 1)			Differences with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary (Note 2)	
V. Did the company, following internationally recognized guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?		✓	The Company does not publish a Corporate Social Responsibility report.	The Company attaches great importance to the issue of corporate social responsibility, and will prepare the corporate social responsibility report according to the actual situation and needs
VI. 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."				
VII. 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.				

Note 1: If “Yes” is checked in the operating status column, please explain the important policies, strategies, measures and implementation situations; if “No” is checked in the operating status column, please explain the reasons, as well as give relevant policies, strategies and measures to counter the situation.

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

Note 3: The principle of materiality refers to environmental, social and corporate governance issues that have significant impacts on the Company's investors and other stakeholders.

(VI) Implementation of Ethical Corporate Management by the Company and the Gaps With the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the Causes Thereof

Items assessed	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 established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies? (II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? (III) Has the company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	✓ ✓ ✓		(I) The Company has established the "Ethical Corporate Management Best Practice Principles", which has been approved by the Board of Directors to actively implement its ethical corporate management. (II) The Company has established "Operation Procedures and Code of Conduct for Ethical Corporate Management" and "Code of Ethical Conduct" to regulate the prevention and subsequent treatment of unethical conducts (including the conducts in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"), and directors at all levels also attach importance to the advocacy of ethical corporate management. (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	No material deviation.

Items assessed	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
			employees, the Company will also file litigation based on the legal responsibilities of the related matters. The Company also regularly reviews and amends relevant operating procedures.	
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?	✓		(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.	No material deviation.
(II) Has the company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	✓		(II) At present, the Company has not set up a responsible unit to promote the ethical corporate management. It is mainly promoted and implemented by a group composed of Administration Division, Management Department, Human Resources Department, etc., which is responsible for the formulation and supervision of the ethical corporate management and the prevention of unethical conduct scheme, including the "Operation Procedure of Ethical Corporate Management and Conduct Guide", "Whistle-blowing system" and "Code of Ethical Conduct", etc. The group is affiliated with the Board of Directors and reports to the Board of Directors regularly (at least once a year).	

Items assessed	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?	✓		(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) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?	✓		(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 compliance status of the accounting system and internal control system and reports to the Board.	
(V) Has the Company hosted regular internal and external training geared towards business integrity practices?	✓		(V) The Company regularly or periodically 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	✓		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	No material deviation.

<table>
<tr><th rowspan="2">Items assessed</th><th colspan="3">Operations (Note 1)</th><th rowspan="2">Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>handle the complaint received?
(II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?
(III) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</td><td>✓

✓</td><td></td><td>mechanism, and stipulates protective terms for those who filed the complaints to prevent them from being mistreated due to such complaints.</td><td></td></tr>
<tr><td>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?</td><td>✓</td><td></td><td>The Company has established its official corporate website to disclose the Ethical Corporate Management Best Practice Principles" of the Company and relevant information</td><td>No material deviation.</td></tr>
<tr><td colspan="5">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.</td></tr>
<tr><td colspan="5">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)
The Company implements the provisions on the recusal of interests in ethical corporate management. Where a Director has an interest in the matters of the Board of Directors and himself or the juristic person represented by him, he shall explain the important contents of his interest at the current Board of Directors. If there is a risk that it is harmful to the interests of the Company, he shall not join in the discussion and voting, and shall recuse the discussion and voting, and shall not exercise his voting rights on behalf of other Directors.</td></tr>
</table>

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: March 5, 2020

Regarding the internal control system of the Company in 2019 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 findings of the aforementioned evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

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. This Statement has been approved by the Board of Directors in their meeting held on March 5, 2020, with none of the six attending Directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

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) In the most recent fiscal year up to the publication date of this annual report, there has been punishment of the company or its internal personnel, or punishment of the company to its internal personnel for violating internal control system regulation, and its punishment results might have significant influence on shareholders' equity or securities' price, the punishment, main deficiencies and improvements shall be listed: 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 2019 was held at Room 103 of the Taipei International Convention Center on June 10, 2019. The resolutions approved by the attending shareholders at the meeting are as follow:

(1) Approved the operating report and financial statements for 2018.

(2) Approved the appropriation of retained-earning for 2018.

Execution: After the appropriation of the legal capital reserve and special reserve from the net profit after tax of the Company for 2018, no dividends will be distributed.

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

Implementation: including lifting the non-competition restrictions on TU, CHUN-KUANG and KO AN LIN.

(4) 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 March 5, 2020 that, the private placing would expire on June 9, 2020, and the Company has no intention to continue the placing, which shall be reported at the shareholders' meeting of 2020.

(5) Amendment to the “Operational Procedures for Acquisition and Disposal of Assets” has been passed/

Implementation: all the amended provisions have been announced at the MOPS and on the Company's website after the shareholders' meeting on June 10, 2019.

2. Significant resolutions of the Board meeting

The Company has convened 12 Board meetings during 2019 and up to the date of printing the annual report in 2020; the summary for significant resolutions are as follow:

(1) 2019

Date	Term of the Board meeting	Significant resolution
2019.01.30	1st meeting of 2019	(1) Proposal for the signing of the supplementary agreement and (with CMGE) 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
2019.03.19	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) 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) Provide endorsement and guarantee for its subsidiary, Softstar Technology (Beijing) Co., Ltd. (19) Establishment of the "Corporate Governance Director" of the Company (20) Amendments to the loans to others provided by the subsidiary "Softstar International Inc."
2019.04.30	3rd meeting of 2019	(1) Proposal for the capital increase for its subsidiary, Softstar Technology (Beijing) Co., Ltd.

2019.05.10	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 endorsement and guarantee for its subsidiary, Softstar Technology (Beijing) Co., Ltd. (4) Proposal for the capital increase in its subsidiary, Taijia Digital Medial Co., Ltd., in an amount of NT$10 million
2019.08.13	5th meeting of 2019	(1) Proposal for cancellation of an indirect capital increase to Softstar Technology (Beijing) Co., Ltd. by "Softstar International Inc." from the third region (2) Proposal for cancelling the Company's endorsement and guarantee to Softstar Technology (Beijing) Co., Ltd. (3) Proposal for cancelling the loan limit to other (Softstar Technology (Beijing) Co., Ltd.) provided by the 100% held subsidiary "Softstar International Inc." (4) Proposal for the application of bank facilities by the Company (5) Establish "Standard Operating Procedures for Handling Directors' Requirements" (6) Amendment to the "Regulations Governing the Evaluation of the Performance of the Board of Directors" (7) Discussion on the proposal for distribution of Directors' remuneration in 2018 (8) Discussion on the proposal for distribution of managers in the Company's employee remuneration in 2018
2019.10.30	6th meeting of 2019	(1) Proposal for the capital increase for Softstar Technology (Beijing) Co., Ltd.
2019.11.12	7th meeting of 2019	(1) The Company's annual audit plan for 2020 (2) Proposal for the application of bank facilities by the Company (3) Ratification of the Company's investments in subsidiaries (4) The Company plans to increase the capital of SOFTSTAR AGENCY CO., LTD.

(2) For 2020 and as of the date of printing share certificates

Date	Term of the Board meeting	Significant resolution
2020.01.07	1st meeting of 2020	(1) Proposal for the budget and operating plans for 2020 (2) The Company plans to amend the original plan for capital increase of SOFTSTAR AGENCY CO., LTD. (3) Investment in NIUS NEWS (4) Proposal for disposal of all shares of Gamebase Digital Media Corporation (5) Distribution of year-end bonus of senior managers in 2019 (6) Appointment of managers (7) Ratification of job adjustment of CTO
2020.03.05	2nd meeting of 2020	【Discussion case】: (1) Proposal for handling supplementary public offering of private equity placement (2) Amendment to the accounting system of the Company (3) Revision of the Company's internal control system, management

		measures and internal audit system (4) Proposal for self-inspection on the internal control system for 2019 (5) Amendment to the "Rules of Procedure of the Shareholders' Meeting" of the Company (6) Amendment of the "Procedures for Loaning of Funds to Others" of the Company (7) Amendment of the "Procedures for the Making of Endorsements/Guarantees" of the Company. (8) Assessing the independence of CPAs (9) Proposal for the distribution of employee and Director remunerations for 2019 (10) The Company's private placement of common shares approved by the shareholders' meeting on June 10, 2019 is proposed to be not continuously handled (11) 2019 Business Report, Individual Financial Report and Consolidated Financial Report of the Company. (12) Proposal for private placement of common shares (13) Re-election of all Directors (including Independent Directors) (14) Proposal for Release of Prohibition on Newly Elected Directors and Representatives from Participating in Competitive Business (15) Proposal for the convening date and relevant matters for the general shareholders' meeting for 2020 (16) Acceptance of shareholder's proposal right and operation process (17) Acceptance of matters related to the nomination right of shareholders for Directors / Independent Directors, review standards and operation procedures (18) Proposal for recovery and cancellation of 6,000 new shares issued with restrict employees' rights (19) Proposal for the application of bank facilities by the Company (20) Amendment of the Company's "Remuneration Policy for Directors, Independent Directors, Remuneration / Audit Committee and Managers"
2020.03.23	3rd meeting of 2020	(1) Proposal for repurchase of some shares of the Company
2020.04.23	4th meeting of 2020	(1) 2019 appropriation of earnings. (2) Discussion on the Company's 2019 earnings and transfer of capital reserve for capital increase and issuance of new stocks. (3) Proposal for the convening date and relevant matters for the general shareholders' meeting for 2020 (4) Review the list of candidates nominated by the Board of Directors (including Independent Directors) (5) Proposal for canceling the non-competition restriction on managerial officers (6) Application for bank financing (7) Proposed amendment for repurchase of some of the Company's shares (amendment of expected repurchase period) (8) Proposal for rectification for investments in subsidiaries (9) Discussion of the proposal for salary adjustment related to the managerial officers of the Company
2020.05.14	5th meeting of 2020	(1) Application for bank financing

(XII) Dissenting opinions or qualified opinions on resolutions passed by the Board of Directors that are made by directors or supervisors, and are documented or issued through written statements, in the most recent fiscal year up to the publication date of this annual report, the main content: None.

(XIII) Summary of resignations and dismissals of the Chairman, President, accounting director, financial director, internal audit director and R&D director of the Company in the most recent year and up to the date of printing of the annual report:

Summary of resignation and dismissal of persons associated with the Company

May 14, 2020

Title	Name	Date of appointment	Date of departure	Reason for resignation or dismissal
Vice President	Chang, Shu-Fen	2015.11.01	2019.12.31	Resignation
Research and Development Officer	Chang, Hsiao-Chuan	2017.06.30	2019.12.31	Acting as the President of the China invested company

Note: The relevant personnel in this context refers to the Chairman, General Manager, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor and R&D Supervisor, etc.

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	Remarks
Ernst & Young	YU, CHIEN-JU	YANG, CHIH-HUEI	2019/1/1-2019/12/31	

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.

Unit: NT$ 1,000

Interval of the amount \ Category of fees		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$3,435 thousand; non-audit fees were NT$909 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	Remarks
			System design	Business registration	Human resource	Other (Note 2)	Sub-total		
Ernst & Young	YU, CHIEN-JU YANG, CHIH-HUEI	3,435	-	114	-	795	-	2019/1/1-2019/12/31	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 "industrial and commercial registration" of non audit fees is NT$114 thousand, including the industrial and commercial registration fees after the shareholders' (interim) meeting; the "others" of non audit fees include NT$105 thousand for application fee for new shares with restricted employee rights in 2018, NT$290 thousand for split consulting service fee, and NT$400 thousand for application for expense applicable to Article 8 of the Income Tax Act. Including the filing fees for new shares with limited employee rights in 2018 years, and NT $400000, including the fees under Article 8 of the applicable income tax law.

VI. CPA's information: None.

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	2019		For the current year up to May 14, 2020	
		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/ Major shareholder	Angel Fund (ASIA) Investments Limited, British Cayman Islands	(1,220,000)	0	0	0
Director	China Development Mobile Technology Co., 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-Hung	13,800	0	0	0
Vice President	Chen, Yao-Tien	5,000	0	(5,000)	0
Vice President	Lien, Chien-Chin	2,000	0	0	0
Vice President	Yao, Chuang-Hsien	(89,200)	0	0	0
Vice President	Hsieh, Ping-Hui	32,000	0	0	0
Vice President	Chang, Shu-Fen (Note 1)	0	0	-	-
Vice President	Lin, Hui-Chen	22,000	0	0	0
CTO	Chang, Hsiao-Chuan (Note 2)	22,000	0	-	-
Director	Jao, Jui-Chun	8,000	0	0	0

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

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

Note 1: Resigned on December 31, 2019.

Note 2: Transferred to be the President of the China invested company on December 31, 2019.

(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

April 11, 2020

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)		Remark
	Number of Shares	Percentage of shares ratio Percentage	Number of Shares	Percentage of shares ratio Percentage	Number of Shares	Shareholding Percentage	Name (OR NAME)	Relationship	
Angel Fund (Asia) Investments Limited	4,978,562	10.11%	0	0	0	0	Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments limited	Company representative 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 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 Angel Fund (Asia) Investments limited	2,820,000	5.72%	0	0	0	0	Angel Fund (Asia) Investments Limited	Company representative 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 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	
SOFT-WORLD INTERNATIONAL CORPORATION	2,000,000	4.06%	0	0	0	0	Gameflier International Corporation	Company representative is the same person	
SOFT-WORLD INTERNATIONAL CORPORATION Representative: WANG, JUN-BO	0	0	0	0	0	0	Gameflier International Corporation	Representative of Gameflier International Corporation	
Special account for Taishin Commercial Bank as Custodian of Investments of China Development Mobile Technology Ltd.	1,816,500	3.69%	0	0	0	0	None	None	
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	
Gameflier International Corporation	1,150,000	2.33%	0	0	0	0	SOFT-WORLD INTERNATIONAL CORPORATION	Company representative is the same person	
Gameflier International Corporation Representative: WANG, JUN-BO	0	0	0	0	0	0	SOFT-WORLD INTERNATIONAL CORPORATION	Representative of Soft-World International Corporation	
Special account for Yuanta Commercial Bank as Custodian of Investments of SOFTSTAR EMPLOYEE RESTRICTED STOCK	894,000	1.81%	0	0	0	0	None	None	
CHEN, YI-TENG	800,000	1.62%							
WENG, QING-BIAO	750,687	1.52%							

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

May 14, 2020;
Unit: share

Reinvestment Entities (Note)	Investment by the Company		Directors, Supervisors, Managers and investment of directly or indirectly-controlled business		Composite Investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
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%	1,636,150	56.72%	2,449,848	84.93%

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

Chapter4 Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Formation of Capital

Unit: NT$1

May 14, 2020

Year/Month	Price at issuance Price	Authorized stock		Paid in capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of Capital	Contribution by Property Other than Cash	Others
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 by Letter Fu-Chan-Ye-Shang-Zi No. 10845360200 on January 14, 2019
2020.03	0	130,000,000	1,300,000,000	49,288,530	492,885,300	Cancellation of 6,000 restricted employee shares repurchased from employee departure	None	Approved by Letter Fu-Chan-Ye-Shang-Zi No. 10947377500 on March 20, 2020

2. Type of Shares

April 11, 2020; unit: shares

Type of Shares	Authorized Capital			Remark
	Outstanding Shares (Notes 1~5)	Unissued Shares	Total	
Common shares	49,288,530	80,711,470	130,000,000	
Total	49,288,530	80,711,470	130,000,000	

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.

Note 5: as of April 11, 2020, the company has repurchased 25,000 treasury shares, but has not yet cancelled them, so the actual outstanding shares are 49,263,530.

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

(II) Shareholder Structure

April 11, 2020; Unit: Person, share

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individual	Overseas Institutions and Individuals	Total
Number of Individuals	-	-	18	8,716	28	8,762
Shares Held	-	-	4,209,798	27,876,270	17,177,462	49,263,530
Shareholding Percentage	-	-	8.54%	56.58%	34.88%	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 11, 2020; Unit: Person, share

Shareholding classification	Number of shareholders	Shares Held	Shareholding Percentage
1 ~ 999	1,809	268,118	0.54%
1,000 ~ 5,000	6,047	11,206,062	22.75%
5,001 ~ 10,000	522	4,105,364	8.33%
10,001 ~ 15,000	144	1,835,488	3.73%
15,001 ~ 20,000	88	1,609,174	3.27%
20,001 ~ 30,000	58	1,458,131	2.96%
30,001 ~ 50,000	41	1,614,743	3.28%
50,001 ~ 100,000	23	1,692,330	3.44%
100,001 ~ 200,000	13	1,758,088	3.57%
200,001 ~ 400,000	5	1,454,283	2.95%
400,001 ~ 600,000	0	0	-
600,001 ~ 800,000	4	2,902,687	5.89%
800,001 ~ 1,000,000	1	894,000	1.81%
1,000,001 or more	7	18,465,062	37.48%
Total	8,762	49,263,530	100.00%

2. Preferred shares: None.

(IV) List of major shareholders: if there are less than 10 shareholders with a shareholding ratio of 5% or more, the name, number of shares held and proportion of the top 10 shareholders shall be disclosed.

Unit: share, April 11, 2020

Share / Major Shareholder	Number of shares held	Shareholding Percentage
Angel Fund (Asia) Investments Limited	4,978,562	10.11%
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 Angel Fund (Asia) Investments limited	2,820,000	5.72%
Special account for Yuanta Commercial Bank as Custodian of Investments of Harvest Strategic Union, Ltd.	2,700,000	5.48%
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	3.69%
Gameflier International Corporation	1,150,000	2.33%
Special account for Yuanta Commercial Bank as Custodian of Investments of SOFTSTAR EMPLOYEE RESTRICTED STOCK	894,000	1.81%
Chen, Yi-Teng	800,000	1.62%
Weng, Qing-Biao	750,687	1.52%

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 7,798,562.

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

Unit: NT$1,000

(Unless otherwise stated)

<table>
<tr><th colspan="3">Year / Item</th><th>2018</th><th>2019</th><th>2020 As of May 14th (Note 8)</th></tr>
<tr><td rowspan="3">Market price per share (Note 1)</td><td colspan="2">Max</td><td>153.00</td><td>177.50</td><td>99.90</td></tr>
<tr><td colspan="2">Min</td><td>77.00</td><td>84.00</td><td>39.15</td></tr>
<tr><td colspan="2">Average</td><td>110.97</td><td>110.38</td><td>76.33</td></tr>
<tr><td rowspan="2">Net worth per share (Note 2)</td><td colspan="2">Before issuance</td><td>10.18</td><td>16.33</td><td>17.08</td></tr>
<tr><td colspan="2">After issuance</td><td>N/A</td><td>(Note 2)</td><td>N/A</td></tr>
<tr><td rowspan="2">Earnings per share</td><td colspan="2">Weighted average number of shares</td><td>47,708</td><td>48,189</td><td>48,388</td></tr>
<tr><td colspan="2">Earnings per share (note 3)</td><td>1.84</td><td>6.77</td><td>0.68</td></tr>
<tr><td rowspan="4">Dividend per share</td><td colspan="2">Cash dividend</td><td>0</td><td>(Note 2)</td><td>N/A</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>Surplus earnings</td><td>0</td><td>(Note 2)</td><td>N/A</td></tr>
<tr><td>Capital reserve</td><td>0</td><td>(Note 2)</td><td>N/A</td></tr>
<tr><td colspan="2">Unpaid dividends (Note 4)</td><td>0</td><td>0</td><td>N/A</td></tr>
<tr><td rowspan="3">Return on investment</td><td colspan="2">Price-to-earnings ratio (Note 5)</td><td>60.31</td><td>16.30</td><td>N/A</td></tr>
<tr><td colspan="2">Price-to-dividend ratio (Note 6)</td><td>N/A</td><td>(Note 2)</td><td>N/A</td></tr>
<tr><td colspan="2">Dividend yield (Note 7)</td><td>N/A</td><td>(Note 2)</td><td>N/A</td></tr>
</table>

* 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.

In 2019 earnings distribution hasn't been resolved by 2020 general shareholders' meeting. Thus, it is not listed.

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 terms of equity securities issuance allow unpaid dividends to be accumulated to the subsequent years in which there is profit, the Company shall disclose the accumulated unpaid dividends respectively up to that year.

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: the net value and earnings per share shall be filled in the information audited (reviewed) by a CPA for the most recent quarter up to the date of printing of the annual report; the remaining fields shall be filled in the information for the year up to the date of printing of the annual report.

(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

The earning distribution plan for 2019 was drafted by the Board of Directors on April 23, 2020. It is proposed to issue shareholder dividends of NT$98,577,056, including stock dividends of NT$88,719,350 (NT$1.8 per share) and cash dividends of NT$9,857,706 (NT$0.2 per share).

This case will be distributed upon the approval of the resolution of the Shareholders' Meeting on June 9, 2020, and shall be handled in accordance with the relevant provisions.

If there is any difference between the above-mentioned estimated amount and the issued amount determined by the Shareholders' Meeting, it shall be handled according to the change of accounting estimate, and shall be adjusted and recorded in the account in the year determined by the Shareholders' Meeting.

(VII) Impacts on the Company’s Business Performance and Earnings Per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting:

<table>
<tr><td colspan="3"></td><td>2020
(Estimate)</td></tr>
<tr><td colspan="3">Beginning paid-in capital</td><td>NT$492,945,300</td></tr>
<tr><td rowspan="3">Distribution of dividends in the current fiscal year (Note 1)</td><td colspan="2">Cash dividend per share</td><td>0.2</td></tr>
<tr><td colspan="2">Number of shares allotted for capital transferred from surplus</td><td>1.8</td></tr>
<tr><td colspan="2">Capital reserve to capital increase</td><td>1.0</td></tr>
<tr><td rowspan="7">Changes in operating performance</td><td colspan="2">Operating Income</td><td rowspan="13">(Note 2)</td></tr>
<tr><td colspan="2">Operating profit increase (decrease) ratio over the same period last year</td></tr>
<tr><td colspan="2">NIAT</td></tr>
<tr><td colspan="2">Ratio of increase (decrease) in net income after tax compared with the same period in previous year</td></tr>
<tr><td colspan="2">Earnings per share</td></tr>
<tr><td colspan="2">Earnings per share increase (decrease) ratio over the same period last year</td></tr>
<tr><td colspan="2">Annual average return on investment (annual average P/E ratio)</td></tr>
<tr><td rowspan="6">Pro-forma earnings per share and P/E ratio</td><td rowspan="2">If capital transferred from capital reserve is replaced by cash dividends distribution</td><td>Proposed Earnings Per Share</td></tr>
<tr><td>Pro-forma Average Annual Return on Investment</td></tr>
<tr><td rowspan="2">If capital transferred from capital reserve is not conducted</td><td>Proposed Earnings Per Share</td></tr>
<tr><td>Pro-forma Average Annual Return on Investment</td></tr>
<tr><td rowspan="2">If capital reserve has not been prepared and capital transferred from surplus is changed into distribution of cash dividends</td><td>Proposed Earnings Per Share</td></tr>
<tr><td>Pro-forma Average Annual Return on Investment</td></tr>
</table>

Note 1: the proposal passed by the resolution of the Board of Directors on April 23, 2020 is filled in and calculated based on NT$49,288,530 shares available for distribution on March 5, 2020; the resolution of the shareholders' meeting in 2020 has not yet been passed.

Note 2: the Company does not disclose its financial forecast in 2020, so it is not necessary to disclose this information.

(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. The basis for the current estimate of the compensation amount of employees, directors and supervisors, the number of shares for which the employee's compensation is based, and the accounting treatment in case of any difference between the actual distribution amount and the estimated amount:

   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) Remuneration distributed to employees, directors, and supervisors in the form of cash or stock. If there is any difference between the estimated amount of the year and the recognized expenses, the differences, reasons and handling status shall be disclosed:

   (A) Distribution of employee remuneration and director remuneration for 2019 (approved by the Board of Directors on March 5, 2020)

   (a) Employee remuneration: NT$16,970,214 (in the form of cash).

   (b) Director remuneration: NT$3,394,043 (in the form of cash).

   (B) If there is any difference between the actual amount of employee compensation and director compensation allocated in 2019 and the estimated amount of recognized expenses, the differences, reasons and handling status shall be disclosed: the actual amount of employee compensation and director compensation allocated by the Company in 2019 has no difference with the estimated amount.

   (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 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).

   (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$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.

(IX) Repurchase of the Company's Shares

On March 23, 2020, the Board of Directors decided to repurchase the shares of the Company: the scheduled repurchase period is from March 24, 2020 to May 22, 2020, and the number of shares to be bought back is 600,000 (the repurchase price range is NT$31.00-NT$100.00, if the Company's share price is lower than the lower limit of the price range, it will continue to repurchase).

As of the printing date of the annual report, the Company actually bought back 25,000 shares.

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 14, 2020

Type of new restricted employee shares (Note 1)	Second time (period) 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

<table>
<tr><td></td><td>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.</td></tr>
<tr><td>Custody of new restricted employee shares</td><td>1,500,000 shares under the custodial trust institution</td></tr>
<tr><td>Measures to be taken when employees fail to meet the vesting conditions</td><td>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.</td></tr>
</table>

	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	6,000 shares
Number of new restricted employee shares where restrictions on rights have been released	1,047,000 shares
Number of new restricted employee shares where restrictions on rights have not been released	447,000 shares
Number of new restricted employee shares where restrictions on rights have not been released Held in the total number of shares issued (%)	0.91%
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 14, 2020

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>Price at issuance Price</th><th>Price at issuance 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>Price at issuance Price</th><th>Price at issuance 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">Executive Officers</td><td>General Manager</td><td>Tsay, Ming-Hung</td><td rowspan="9">576,000</td><td rowspan="9">1.17%</td><td rowspan="9">401,700</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0.81%</td><td rowspan="9">171,300</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0.35%</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="11">Employees (Note 3)</td><td>Manager</td><td>Chen, Chien-Min</td><td rowspan="11">815,000</td><td rowspan="11">1.65%</td><td rowspan="11">570,500</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">1.16%</td><td rowspan="11">244,500</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">0.50%</td></tr>
<tr><td>Manager</td><td>Lu, Chih-Hsiang</td></tr>
<tr><td>Associate Manager</td><td>Tseng, Chih-Hao</td></tr>
<tr><td>Employee</td><td>Pao, Hung-Hsiu</td></tr>
<tr><td>Employee</td><td>Wu, Hsin-Jui</td></tr>
<tr><td>Employee</td><td>Jao, Kai-Yuan</td></tr>
<tr><td>Employee</td><td>Chen, Po-An</td></tr>
<tr><td>Employee</td><td>Hou, Li-Ling</td></tr>
<tr><td>Employee</td><td>Chang, Chia-Chiang</td></tr>
<tr><td>Employee</td><td>Hu, You-Chang</td></tr>
</table>

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: NT$1,000

Product	2019	
	Net operating revenue	%
Sale of goods revenue	2,636	0.47
Rendering of service	563,182	99.53
Total	565,818	100.00

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.

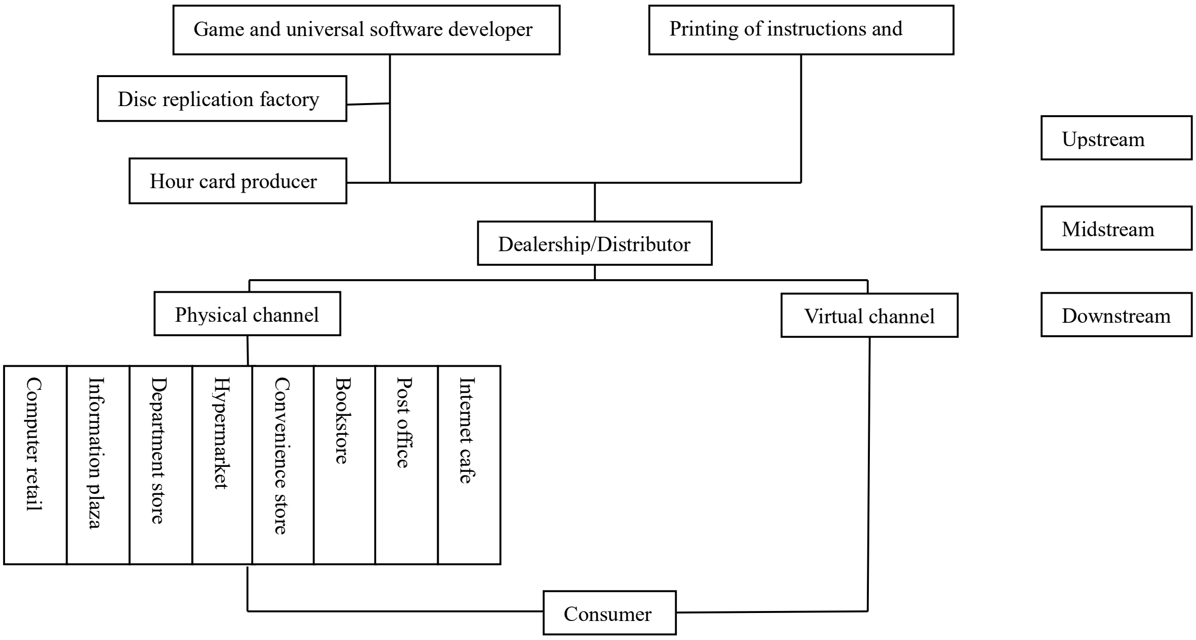
Online games consist of MMORPG, Web/SNS game, and casual game. Currently, MMORPG is the major group. As players are required to invest more time and spirit, the player stickiness and loyalty maintain higher. However, with changes in structural factors such as the net user structure and players' demand, 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$324,943,000 in total in 2019.

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 2019

Unit: thousand NT$

Regional / products	Domestic		Overseas		Total	
	Amount	%	Amount	%	Amount	%
Sale of goods revenue	2,636	3.15	0	0.00	2,636	0.47
Rendering of service revenue	81,037	96.85	482,145	100.00	563,182	99.53
Total	83,673	100.00	482,145	100.00	565,818	100.00

2. Market share

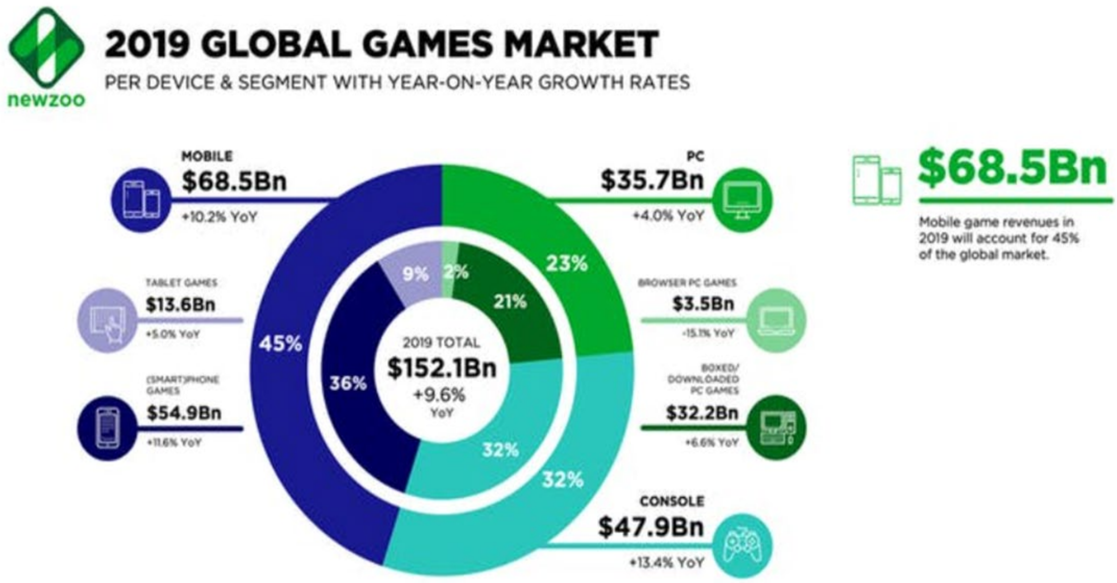
The company mainly researches and develops single player games, online games and mobile game products, with revenues of NT$855,738,000 and NT$565,818,000 in 2018 and 2019, respectively. With the highly mature and diversified market, the company's game development is also towards diversified development. In addition to online games and single player games, in terms of the product launch, we are more actively devoting into casual games, web games, mobile games, etc., and the company has occupied an important position in the game research and development market.

3. Future supply and demand of the market and its growth

(1) Global game industry overview:

Global game scale: according to the "2019 Global Game Market Survey Report" of Newzoo, a game market research company in June 2019, it is estimated that the global game market scale in 2019 will be US$152.1 billion, an increase of US$13.4 billion over the previous year. By 2022, gross revenue for the global game industry will exceed US$196 billion. The CAGR from 2018 to 2022 shall be 9.0%.

Year	2018	2019(F)	2020(F)	2021(F)	2022(F)
Total production value	US$138.7 billion	US$152.1 billion	US$164.6 billion	US$178.2 billion	US$196 billion



Data source: screenshot from NEWZOO official website (June 2019)

However, in November 2019, Newzoo released the latest global game market forecast report after conducting continuous research and analysis on the financial performance of more than 100 listed companies in the first half of 2019, application data, and the development of several major markets from January to November 2019. It revised the global game market size in 2019 down to US$148.8 billion, which is slightly lower than the previous forecast of US$152.1 billion, but still up 7.2% from 2018.

Data source: screenshot from NEWZOO official website (November 2019)

The global game market is mainly divided into three main blocks: mobile games, console games and computer platform games. The reason why the expected scale of the global game market in 2019 is reduced by Newzoo is that the expenditure in the field of console games is slowing down. In 2019, the scale of the console game market will be revised down from the original forecast of US$47.9 billion to US$45.3 billion, but the year-on-year growth is still 7.3%; in 2019, the scale of the computer platform game is slightly revised down to US$35.3 billion, a year-on-year growth of 2.8%.

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 2.5 billion mobile game players. In 2019, the global mobile game revenue scale will increase by 9.7% to US$68.2 billion, accounting for about 46% of the global game market. By 2022, the mobile game market will grow at a steady compound annual growth rate of 11.2% to US$93.6 billion.

At the end of 2019, Newzoo also expressed their views on the game market in 2020: the overall game market in 2020 continues to slow down, and the growth rate may be the lowest since 2015. However, the global game market still has a scale of about US$160 billion, with an annual growth rate of about 7.4%. However, the mobile game market will still play a major growth driver. It is the fastest growing field in 2020, with an annual growth rate of 11.6%, especially in emerging markets, including the Middle East, North Asia, India and Southeast Asia.

Although the growth slows down, Newzoo still believes that 2020 will be a very promising year for the game market, because many new products and services are likely to make progress in this year, and these trends will define the game form and development in the next decade. The first three are "next generation game console", "subscription service" and "cloud game". For the game industry, this year's major play includes 5G business transformation, because the implementation of 5G will break through the limitations of the past game business model, make cloud games and subscription services more popular, accelerate the game jumping off the fixed platform, turn to the cross platform and multi platform model, and also let the players move from the virtual scene to the real scene, such as the advent of more AR games.

(2) Taiwan's game industry overview:

In recent years, the largest part of the growth of the global game industry comes from mobile games, although Taiwan only has 23 million people, but with the "open diversity" feature, according to App Annie database, Taiwan has been ranked among the top five application stores in the world with Japan and South Korea for many years in a row. Compared with South Korea, which has 2 times the population of Taiwan, and Japan, which has 5.5 times the population, Taiwan's mobile game market ranks fifth in terms of revenue scale, and its performance is quite amazing. The intensity and scale of players' consumption on mobile games, the ratio of consumption to download, has nearly quadrupled, ranking fourth in the world in terms of per capita consumption, and is one of the highest per capita consumption markets in the world. However, Taiwan's manufacturers are relatively hard, mainly because China and South Korea are aggressively invading the Taiwan market. 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. Mobile game market in Taiwan is a mature market and has hit the plateau.

According to the "2019 Global and Taiwan Entertainment and Media Industry Outlook Report" released by PwC in June 2019, Taiwan has benefited from the high penetration rate of smart phones and social / casual games becoming more and more popular, and its overall video game market size is expected to grow from US$1.8 billion in 2018 to US$2.5 billion in 2023 with a compound annual growth rate of 6.3%. Social and casual games are expected to grow at a compound annual growth rate of 7.8% in the same period, to US$1.4 billion in 2023, accounting for 57.4% of the overall video game market. Taiwanese players can easily access games developed by Western companies such as "Pokemon GO" or Chinese companies such as "Arena of Valor". By contrast, Taiwan's traditional video game market is relatively stable, which is expected to grow at a compound annual growth rate of 4.4% in the same period to US$1 billion in 2023, accounting for 41.9% of the overall video game market, mainly driven by players' support for popular PC games such as "League of Legends" and the launch of new game consoles by major game console makers such as Nintendo, PlayStation and Xbox.

E-sports is an emerging competitive sport in Taiwan in recent years. In 2017, the government officially recognized the e-sports industry as an official sports project, which also contributed to the continuous warming of Taiwan's E-sports market and attracted the attention of global game giants. Players would watch the online live game and hope to participate in the e-sports activities. For live streaming e-sports, Taiwan's live streaming traffic for e-sports ranks the fifth in the world, representing the high involvement of the group. 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 the "Report on China's Game Industry in 2019", the actual sales revenue of China's game market in 2019 reached CNY 230.88 billion, an increase of CNY 16.44 billion compared with 2018, a year-on-year increase of 7.7%. Among them, mobile games are still the most important component of China's game market revenue. In 2019, the number of China game users reached 640 million, an increase of 2.5% compared with 2018.

Category of China's game market in 2019

Unit: CNY

Mobile games	Game Client	Web game	Home game Console games	Single player game
158.11 billion	61.51 billion	9.87 billion	695 million	695 million
68.5%	26.6%	4.3%	0.3%	0.3%

Mobile devices become the first choice for leisure because they are easy to carry, and with the development of 5G and cloud games, mobile games face more space for stable market growth. In 2019, the actual sales revenue of China's mobile game market was CNY 158.11 billion, accounting for 68.5% of the total China game market, up 18% year-on-year from CNY 24.15 billion in 2018. The game client and web games have entered a mature period, the product competition is fierce and under the competition pressure of mobile games, the development speed is slowing down gradually, and the high-quality strategy has become a new vitality.

In 2019, the actual sales revenue of China's e-sports game market increased from CNY 83.44 billion in 2018 to CNY 94.73 billion in 2019, an increase of CNY 11.29 billion, accounting for 41% of China's game market, which has become an extremely important part of the game industry. The number of users of China's e-sports is also increasing, from 220 million in 2015 to 440 million in 2019. The industry is gradually changing from the outbreak period to a steady development. For China's e-sports game products, under the multiple factors of game operation, viewing, sports, team collaboration and time length, the role-playing and MOBA (multiplayer online battle arena) games have a greater advantage in the e-sports market, and revenues of the two accounted for more than 53% of total.

In 2019, China's game companies continued to layout overseas markets, and the actual overseas sales revenue of China independently researched and developed games further increased from CNY 68.28 billion in 2018 to CNY 82.52 billion in 2019, with a growth rate of 21%; from the perspective of product type distribution, the revenue of role-playing games accounted for 37.8%, the revenue of strategy games accounted for 23.2%, the revenue of

MOBA (multiplayer online battle arena) games accounted for 13.7%, and the total proportion of these three kinds of games reaches 74.7%. In addition, from the perspective of export regions, the income from the United States accounts for 30.9%, from Japan accounted for 22.4%, and from South Korea accounted for 14.3%. The three regions together accounted for 67.5%.

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.

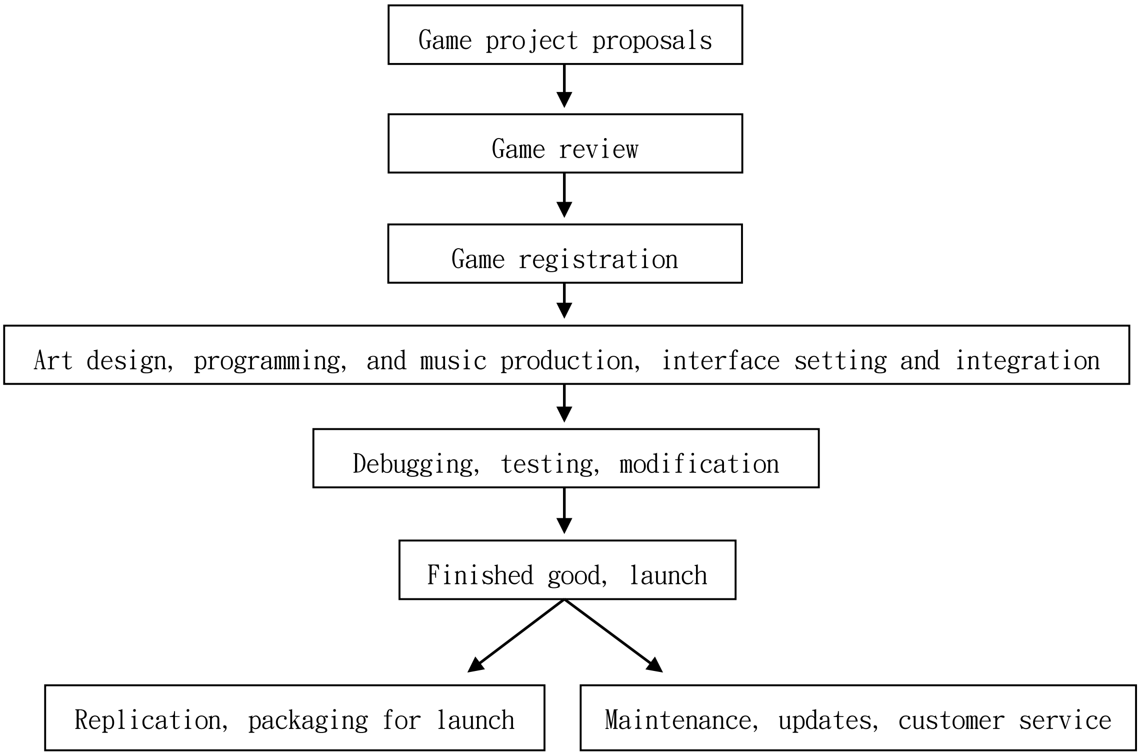
5. Favorable and unfavorable factors of development prospect and strategies:
   (1) Favorable factors
      - Stable and robust R&D team that owns the core competitiveness of self-development of games.
      - Own the renowned series of IP that may be used in a cross-field manner to extend IP application 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$

	2018				2019				As of 1st quarter of 2020			
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	Company A	15,603	19.14	None	Company E	36,501	40.11	None	Company E	6,331	30.17	None
2	Company B	11,870	14.56	None	Company B	10,633	11.68	None	F Company	5,628	26.82	None
3	Company C	8,622	10.58	None	Company A	5,924	6.51	None	Company B	2,384	11.36	None
4	Company D	2,042	2.51	None	Company C	1,307	1.44	None	Company A	970	4.62	None
	-	-	-	-	-	-	-	-	Company C	265	1.26	None
	Others	43,373	53.21	-	Others	36,637	40.26	-	Others	5,405	25.77	-
	Net purchases	81,510	100.00	-	Net purchases	91,002	100.00	-	Net purchases	20,983	100.00	-

Explanation: 1. Company A is a manufacturer licensed to make mobile games. The company pays the royalty of Taiwan, Hong Kong and Macao by % of its revenue every month.

2. Company B is the main bandwidth supplier.

3. Company C i1s a mobile game manufacturer. The company pays the royalty of Taiwan, Hong Kong and Macao by % of its revenue every month.

4. Company D is a licensed manufacturer of mobile games, and the company pays the royalty of Taiwan, Hong Kong and Macao by % of its revenue every month.

5. Company E is a licensed manufacturer of mobile games, and the company pays the royalty of Taiwan, Hong Kong and Macao by % of its revenue every month.

6. Company F is a licensed agent of mobile game manufacturer, and the company pays the royalty of Taiwan, Hong Kong and Macao by % of its revenue every month.

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

Unit: thousand NT$

	2018				2019				As of 1st quarter of 2020			
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	216,817	25.34%	None	Company c	76,592	13.54%	None	Company e	33,395	22.37%	None
2	Company b	101,509	11.86%	None	Company d	73,245	12.94%	None	Company f	24,507	16.42%	None
3	Company c	48,162	5.63%	None	Company b	4,885	0.86%	None	Company g	18,771	12.58%	None
4	-	-	-	-	-	-	-	-	Company c	14,139	9.47%	None
5	-	-	-	-	-	-	-	-	Company a	8,092	5.42%	None
	Others	489,250	57.17	-	Others	411,096	72.66	-	Others	50,371	33.74%	-
	Net sales	855,738	100.00%	-	Net sales	565,818	100.00%	-	Net sales	149,275	100.00%	-

Explanation: 1. Company a is the customer for the licensed IP for TV series.
2. Company b is the customer and operator for the licensed game IP.
3. Company c is a game operator.
4. Company d is the customer and operator for the licensed game IP.
5. Company e is a game operator.
6. Company f is the customer and operator for the licensed game IP.
7. Company g is the customer and operator for the licensed game IP.

(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	2018				2019			
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	(6,269)	(2,573)	190	23,343	11,410	2,636	0	0
Rendering of service revenue	Note 1	145,231	Note 1	689,737	Note 1	81,037	Note 1	482,145
Total	(6,269)	142,658	190	713,080	11,410	83,673	0	482,145

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. Number of Employee in the Most Recent Two Years and Up to the Publication Date of the Annual Report as well as Their Distribution Ratios in Terms of Average Years of Service, Average Age, and Academic Qualification

Unit: per person

Year		2018	2019	2020/05/14
No. of employees	Managerial officers	12	11	9
	Management and marketing personnel	60	56	53
	R&D personnel	261	114	110
	Total	333	181	172
Average age		33.3	37.3	37.9
Average year of services		4.7	6.6	7.0
Education background distribution	PhD	-	-	-
	Masters	29	26	25
	University / College	273	135	128
	Senior high school	29	19	18
	Below high school	2	1	1

Note: Since 2019, the number of employees does not include Softstar Technology (Beijing) Co., Ltd. and Softstar Technology (Shanghai) Co., Ltd.

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 2019 is summarized as follow:

Department of the training receiver	Name of the training program	Organizer
Research & Development Division	Animating in Unreal online courses	CG Master Academy
Research & Development Division	Digital entertainment IP development technology and dynamic capture application	Institute for Information Industry
Department of Information	SPAM basic enterprise technology training + advanced product operation	Softnext Technologies Corp.
Finance Division	Practice of audit compliance of establishing independent directors and audit committee by corporate	Accounting Research and Development Foundation
Finance Division	Analysis of labor contract, working rules and labor management meeting and key points of audit	The Institute of Internal Auditors - Chinese Taiwan
Finance Division	Trend of e-commerce profit model and internal audit and internal control	Accounting Research and Development Foundation
Finance Division	Strengthen investment strategic service industry / implementation plan	Taipei Computer Association
Auditing Office	Stock Exchange Act・compliance of internal audit	Accounting Research and Development Foundation
Auditing Office	The competent authority requires enterprises to set up audit compliance practice for "independent directors" and "audit committee"	Accounting Research and Development Foundation
Department of Legal Affairs	Intellectual property and legal risks	Law Research Exchange Association of Taiwan
Welfare Committee	Practical class on the analysis of relevant laws and regulations and the formulation of management measures of staff welfare committee	Employee Welfare Development Association
Department of Human Affairs	The influence of the latest Labor Incident Act on enterprises and the corresponding countermeasures	International Trade Business School
Department of Human Affairs	Practice of salary withholding, pension allocation and second generation health insurance deduction	Employee Welfare Development Association
Department of Human Affairs	Equal rights in the workplace and prevention and control of sexual harassment	Department of Labor, Taipei City Goverment
Department of Human Affairs	Salary structure design, adjustment and tax law treatment practice	Association of Industrial Relations, R.O.C.

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 b.e 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. Introduce professional medical management consultants, promote workplace health risk management, build a healthy workplace, and strengthen the health awareness of colleagues. Take care of the physical health of the staff through the complete planning of professional medical and occupational care, and there are also professional psychologists in charge of the mental health of the staff. In addition to the implementation of regulatory requirements, we also protect employees and enhance the vitality and creativity of our colleagues.
5. 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.
6. 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.

7. 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 contract

Nature	Involving party	Term	Major content	Restrictive clauses
Licensing agreement	Company A	2018/2/1~2021/2/1	Sword and Fairy TV series licensing (Global)	None
Licensing agreement	Company B	Three years from Sep. 27, 2018 to the date of the game product's launching and operation on the first platform.	《Sword and Fairy》 IP licensing (global) outside Taiwan, Hong Kong and Macao	None
Cooperation development licensing and issuance agreement	Company C	2019/2/18~2022/2/17	Sword and Fairy on Mobile (Global)	None
Cooperation development licensing and issuance agreement	Company D	2019/9/9~2022/9/8	Sword and Fairy H5 game	None
Licensing agreement	Company E	2017/1/24 - 2 years after online operation	Xuan Yuan Sword: Dragon Dances in Clouds and Mountains (Mobile)	None

Chapter 6 Financial Information

I. Five-Year Financial Summary

(I)

1. Condensed Consolidated Balance Sheet - IFRS(s)

Unit: NT$1,000

Items \ Year		Financial date for the past five years (Note 1)					Financial information for the year as of March 31, 2020 (Note 8)
		2015	2016	2017	2018	2019	
Current assets		343,255	579,309	502,389	602,860	418,699	511,070
Property, plant and equipment (Note 2)		31,539	31,922	33,096	23,423	12,070	10,377
Intangible assets		26,762	10,258	18,569	12,586	8,412	15,121
Other assets (Note 2)		319,273	313,326	337,143	444,290	799,760	536,568
Total Assets		720,829	934,815	891,197	1,083,159	1,238,941	1,259,691
Current liabilities	Before distribution	229,412	394,452	343,341	410,839	341,474	348,025
	After distribution	Note 4	Note 3	Note 5	Note 6	Note 7	N/A
Non-current liabilities		19,539	23,644	55,167	185,834	92,527	70,146
Total Liabilities	Before distribution	248,951	418,096	398,508	596,673	434,001	418,171
	After distribution	Note 4	Note 3	Note 5	Note 6	Note 7	N/A
Total equity attributable to the parent company		471,878	516,362	491,504	486,370	804,897	841,404
Common stock		462,078	481,936	478,313	477,945	492,945	492,885
Additional paid-in capital		37,736	186,125	25,174	179,197	162,992	162,422
Retained earnings	Before distribution	1,011	(135,973)	17,573	144,139	469,543	502,223
	After distribution	Note 4	Note 3	Note 5	Note 6	Note 7	N/A
Other components of equity		(28,947)	(15,726)	(29,556)	(314,911)	(320,583)	(315,103)
Treasury stock		-	-	-	-	-	(1,023)
Non-controlling equity		-	357	1,185	116	43	116
Total equity	Before distribution	471,878	516,719	492,689	486,486	804,940	841,520
	After distribution	Note 4	Note 3	Note 5	Note 6	Note 7	N/A

* Companies having compiled an individual financial report shall otherwise compile individual condensed balance sheet and consolidated income statement for the past five 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 has been audited and certified by CPA.

Note 2: As of Dec. 31, 2019, no asset revaluation was performed by the Company.

Note 3: The Company recorded accumulated losses for 2016, thus 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 2017.

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

Note 7: On Apr. 23, 2020, the Board meeting resolved the 2019 earnings distribution proposal. The proposal has not yet been submitted to the shareholders' meeting as of the printing date of the annual report, so the amount after distribution is not shown in the statement.

Note 8: Reviewed by CPA.

2. Condensed Consolidated balance sheet - Taiwan's GAAP

The Company has been adopting IFRS for the past five years (2015-2019); therefore, the information disclosure is not applicable.

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

Unit: NT$1,000

Year / Items		Financial date for the past five years (Note 1)					Current fiscal year up to Financial information as of March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		172,315	335,570	294,585	371,972	374,963	-
Property, plant and equipment (Note 2)		18,475	19,264	16,671	14,271	10,396	-
Intangible assets		10,072	7,622	13,971	6,302	10,230	-
Other assets (Note 2)		421,503	339,254	430,010	369,302	804,250	-
Total Assets		622,365	701,710	755,237	761,847	1,199,839	-
Current liabilities	Before distribution	130,841	154,533	204,658	194,375	302,815	-
	After distribution	Note 4	Note 3	Note 5	Note 6	Note 7	-
Non-current liabilities		19,646	30,815	59,075	81,102	92,127	-
Total Liabilities	Before distribution	150,487	185,348	263,733	275,477	394,942	-
	After distribution	Note 4	Note 3	Note 5	Note 6	Note 7	-
Common stock		462,078	481,936	478,313	477,945	492,945	-
Additional paid-in capital		37,736	186,125	25,174	179,197	162,992	-
Retained earnings	Before distribution	1,011	(135,973)	17,573	144,139	469,543	-
	After distribution	Note 4	Note 3	Note 5	Note 6	Note 7	-
Other components of equity		(28,947)	(15,726)	(29,556)	(314,911)	(320,583)	-
Treasury stock		-	-	-	-	-	-
Total equity	Before distribution	471,878	516,362	491,504	486,370	804,897	-
	After distribution	Note 4	Note 3	Note 5	Note 6	Note 7	-

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, 2019, no asset revaluation was performed by the Company.
Note 3: The Company recorded accumulated losses for 2016, thus 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 2017.
Note 6: On Mar. 19, 2019, the Board meeting proposed to not distribute dividends for 2018.
Note 7: On Apr. 23, 2020, the Board meeting resolved the 2019 earnings distribution proposal. The proposal has not been submitted to the shareholders' meeting as of the printing date of the annual report, thus the amount after distribution is not shown in the statement.

4. Condensed Parent Company Only balance sheet - Taiwan's GAAP

The Company has been adopting IFRS for the past five years (2015-2019); therefore, the information disclosure is not applicable.

(II)

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

Unit: NT$1,000

Item \ Year	Financial date for the past five years (Note 1)					Financial information as of March 31, 2020 (Note 3)
	2015	2016	2017	2018	2019	
Operating revenue	756,917	702,634	789,128	855,738	565,818	149,275
Gross profit	634,168	579,962	665,389	774,228	474,816	128,292
Operating income (loss)	92,985	(93,280)	36,533	146,456	(217,580)	(51,062)
Non-operating income and expenses	100,032	(31,099)	(11,416)	(7,894)	553,447	77,230
Profit (Loss) before income tax	193,017	(124,379)	25,117	138,562	335,867	50,612
Net Income (loss) from continuing operations	176,413	(141,295)	9,528	85,427	323,817	32,753
Income (Loss) on discontinuing operations	-	-	-	-	-	-
Net income (loss)	176,413	(141,295)	9,528	85,427	323,817	32,753
Other comprehensive income (net, after tax)	(3,718)	(8,867)	(25,052)	(91,107)	(124,032)	(9,072)
Total comprehensive income (loss)	172,695	(150,162)	(15,524)	(5,680)	199,785	23,681
Net income(loss) attributable to Stockholders of the parent	176,413	(136,752)	18,244	87,823	326,039	33,024
Net income(loss) attributable to non-controlling interests	-	(4,543)	(8,716)	(2,396)	(2,222)	(271)
Comprehensive income(loss) attributable to Stockholders of the parent	172,695	(145,619)	(6,808)	(3,284)	202,007	23,952
Comprehensive income(loss) attributable to non-controlling interests	-	(4,543)	(8,716)	(2,396)	(2,222)	(271)
Earnings per share	3.87	(2.90)	0.38	1.84	6.77	0.68

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

2: As of Dec. 31, 2019, no asset revaluation was performed by the Company.

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 (2015-2019); therefore, the information disclosure is not applicable.

3. Condensed individual statement of comprehensive income - IFRS(s)

Unit: NT$1,000

Item \ Year	Financial date for the past five years (Note 1)					Financial information as of March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	342,430	376,655	353,406	547,106	377,307	-
Gross profit	293,643	301,437	257,695	507,639	234,419	-
Operating income (loss)	79,253	43,838	67,925	198,650	(251,105)	-
Non-operating income and expenses	113,645	(167,286)	(34,957)	(74,835)	571,108	-
Profit (Loss) before income tax	192,898	(123,448)	32,968	123,815	320,003	-
Net income (loss)	176,413	(136,752)	18,244	87,823	326,039	-
Total other comprehensive income (net, after tax)	(3,718)	(8,867)	(25,052)	(91,107)	(124,032)	-
Total comprehensive income (loss)	172,695	(145,619)	(6,808)	(3,284)	202,007	-
Earnings per share	3.87	(2.90)	0.38	1.84	6.77	-

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

4. Condensed individual statement of comprehensive income - Taiwan's GAAP

The Company has been adopting IFRS for the past five years (2015-2019); therefore, the information disclosure is not applicable.

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

Year	CPA	Audit opinion
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 Paragraph
2019	YU, CHIEN-JU, YANG, CHIH-HUEI	Unqualified opinion with Emphasis of Matter Paragraph
First quarter of 2020	YU, CHIEN-JU, YANG, CHIH-HUEI	Qualified opinion review report

II. Five-Year Financial Analysis

(I) Financial Analysis – IFRSs

Analyzing Item (Note 3) \ Year		Financial analysis for the last five years (Note 1) 2015	2016	2017	2018	2019	As of March 31, 2020 (Note 1)
Financial structure (%)	Liabilities to assets ratio	34.54	44.72	44.72	55.09	35.03	33.20
	Proportion of long-term capital in PP&E	1,558.12	1,691.64	1,651.77	2,869.85	7,435.16	8,784.33
Solvency %	Current ratio	149.62	146.86	146.32	146.74	122.62	146.85
	Quick ratio	132.24	117.45	106.67	100.76	105.28	128.52
	Interest coverage ratio	155.29	(151.80)	16.80	83.77	60.46	59.92
Operating performance	Receivables turnover rate (times)	8.62	5.79	7.07	7.49	4.12	3.80
	Average collection days	42	63	52	48	89	96
	Inventory turnover ratio (times)	2.92	0.65	0.85	0.49	0.61	0.94
	Payables turnover rate (times)	4.23	2.39	2.23	1.34	0.92	0.64
	Average days for sale	125	562	429	745	598	388
	PP&E turnover rate (times)	35.25	22.14	24.27	30.28	31.88	53.20
	Total assets turnover rate (times)	1.09	0.85	0.86	0.87	0.49	0.48
Profitability	Return on assets (%)	25.51	(16.99)	1.19	8.79	28.28	10.71
	Return on equity (%)	46.32	(28.60)	1.89	17.47	50.15	15.92
	Ratio of net profit on paid-up capital (%) (Note 7)	41.77	(25.81)	5.25	28.99	68.13	41.07
	Net profit margin (%)	23.31	(20.11)	1.21	9.98	57.23	21.94
	Earnings per share (NT$)	3.87	(2.90)	0.38	1.84	6.77	0.68
Cash flow	Cash flow ratio (%)	48.22	17.36	(6.93)	(39.48)	4.63	17.60
	Cash flow adequacy ratio (%)	5.32	30.58	23.00	(4.33)	2.27	(14.46)
	Cash flow reinvestment ratio (%)	42.38	20.71	(9.26)	(58.50)	2.08	7.66
Leverage ratio	Operating leverage ratio	5.37	Note 2	13.61	4.01	Note 2	1.32
	Financial leverage ratio	1.01	Note 2	1.05	1.01	Note 2	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) Liabilities to assets ratio: Primarily due to the decrease in bank borrowings and the increase in investments under equity method.
   (2) Long term funds to PP&E ratio: Due to the loss of control of the subsidiary, Softstar Technology (Beijing) Co., Ltd. in June 2019 and the recognition of the gain on disposal, the undistributed surplus increased.
2. Solvency
   (1) Interest coverage ratio: Due to the loss of control of the subsidiary Softstar Technology (Beijing) Co., Ltd. in June 2019 and recognition of the gain on disposal, the net profit is higher than that in 2018, but its increase rate is lower than the interest expense ratio, resulting in the decreasing financial ratio.
3. Operation performance :
   (1) Receivables turnover rate and average collection days: Due to the decrease in operating income this year, the receivables turnover rate and average collection days decreased.
   (2) Inventory turnover rate and average days for sale: New single player products were launched and existing products were continuously sold, so the inventory turnover rate decreased and the average days for sale decreased.
   (3) Payables turnover ratio: Due to the increase in accounts payable at the end of the year, the payables turnover ratio decreased.
   (4) Turnover rate of total assets: Due to the decrease in operating income of the year, the turnover rate of total assets decreased.
4. Profitability :

Net profit for 2019 was higher than that of 2018; 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 2019.

* 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 2015 to 2019 has been certified by CPA; the financial information for the first quarter of 2020 has also been reviewed by the CPA.
Note 2: Operating profit for 2016 and 2019 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 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. Operating 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) (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.

(II) Financial analysis - Taiwan's GAAP

The Company has been adopting IFRS for the past five years (2015-2019); therefore, the information disclosure is not applicable.

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

Analyzing Items (Note 2) \ Year		Financial analysis for the last five years (Note 1)					As of March 31, 2020
		2015	2016	2017	2018	2019	
Financial structure (%)	Liabilities to assets ratio	24.18	26.41	34.92	36.16	32.92	-
	Proportion of long-term capital in PP&E	2,660.48	2,840.41	3,302.62	3976.40	8,628.55	-
Solvency %	Current ratio	131.70	217.15	143.94	191.37	123.83	-
	Quick ratio	121.17	180.04	106.35	130.60	107.18	-
	Interest coverage ratio	155.20	(150.66)	21.73	90.53	76.97	-
Operating performance	Receivables turnover rate (times)	12.86	6.77	4.65	6.55	2.93	-
	Average collection days	28	54	78	56	125	-
	Inventory turnover ratio (times)	-	-	-	-	-	-
	Payables turnover rate (times)	2.51	1.83	2.09	0.74	1.54	-
	Average days for sale	-	-	-	-	-	-
	PP&E turnover rate (times)	31.55	19.96	19.67	35.36	30.59	-
	Total assets turnover rate (times)	0.65	0.57	0.49	0.72	0.38	-
Profitability	Return on assets (%)	33.50	(20.55)	2.69	11.72	33.58	-
	Return on equity (%)	46.32	(27.68)	3.62	17.96	50.50	-
	Net profit before tax to paid-in capital ratio (%) (Note 7)	41.75	(25.62)	6.89	25.91	64.92	-
	Net profit margin (%)	51.52	(36.31)	5.16	16.05	86.41	-
	Earnings per share (NT$)	3.87	(2.90)	0.38	1.84	6.77	-
Cash flow	Cash flow ratio (%)	137.06	23.08	46.91	18.27	(3.91)	-
	Cash flow adequacy ratio (%)	(0.83)	18.36	31.08	35.07	55.85	-
	Cash flow reinvestment ratio (%)	66.71	10.89	28.64	10.68	(1.54)	-
Leverage ratio	Operating leverage ratio	3.23	5.83	3.48	2.35	Note 2	-
	Financial leverage ratio	1.02	1.02	1.02	1.01	Note 2	-

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 in PP&E ratio: Due to the increase in undistributed surplus for the period.

2. Solvency

(1) Current ratio: Mainly due to the increase in accounts payable this year, resulting in a decrease in current ratio.

3. Operation performance :

(1) Receivables turnover rate and average collection days: Due to the decrease in operating income and the increase in accounts receivable in this year, the receivables turnover rate decreased and the average collection days increased.

(2) Accounts payables turnover ratio: Due to the increase in operating costs in 2019 and the increase in accounts payable at the end of the period, the payables turnover ratio increased.

(3) Total assets turnover rate: Due to the decrease in sales revenue this year, the total assets turnover rate decreased.

4. Profitability:

Net profit for 2019 was higher than that of 2018; therefore, financial ratios were better than the previous year.

5. Cash flow:

(1) Cash flow ratio and cash reinvestment ratio: Mainly due to the increase in net cash flows generated from operating activities.

(2) Cash flow adequacy ratio: Due to the decrease in capital expense in the last five years.

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. Operating 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) (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 (2015-2019); therefore, 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 2019 Business Report, Financial Statements (consolidated financial statements included), and proposal for allocation of earnings. The CPA firm of Ernst & Young Taiwan was retained to audit the Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements (consolidated financial statements included), and earnings allocation proposal have been reviewed and determined to be accurate by the Audit Committee members. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To

2020 Annual Shareholders’ Meeting

Chairman of the Audit Committee: Hung, Pi-Lien

April 23, 2020

IV. Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2019 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 5, 2020

English Translation of a Report Originally Issued in Chinese

Auditor Report of Independent Auditors

To SOFTSTAR ENTERTAINMENT INC.

Opinion

We have audited the accompanying consolidated balance sheets of SOFTSTAR ENTERTAINMENT INC. (the "Company") and its subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on these matters.

Revenue Recognition —Royalties

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

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

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

2. Obtaining the license agreements, identifying performance obligations, defining the transaction prices, and determining whether revenues are recognized over time or at a point in time;

3. Obtaining the details of recognition of royalties revenue and confirming whether the performance obligations of the license agreement have been fulfilled; obtaining the details of royalty revenue allocation of games development and confirming the correctness of the development period and royalty revenue allocation stated in the license agreements;

4. Review the reasonableness of the estimated allocation periods and the correctness of the calculation of royalty revenues allocation provided by the Company and its subsidiaries.

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

Revenue Recognition —Virtual Items

The Company and its subsidiaries have revenue received from online gamers who purchase game points to recharge game credits and subsequently use the credits to buy virtual items. The purchase of game points and recharge of game credits are recorded in a computer server platform. The proceeds received by the Company and its subsidiaries from the sales of game points are initially deferred and revenue is recognized in accordance with the estimated lifetimes of the virtual items after players recharge their game credits and subsequently use the credits to 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:

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

2. Obtaining the game credit consumption data and revenue calculation sheets for each game, confirming the correctness of the calculations, obtaining the recharge records, the game credit

consumption records, and the downloaded revenue reports for each platform, and vouching to the calculation sheets of the Company and its subsidiaries' accounts.

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

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

Losing Control of a Subsidiary

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

Our audit procedures included, but were not limited to:

1. Obtaining the stock purchase agreement, the Board of Directors' meeting minutes, and the accounting entry and its voucher to validate the reasonableness;

2. Assessing the reasonableness of the timing when the Company lost its control of the subsidiary and reviewing the ending balance of SOFTSTAR BEIJING on that day;

3. Assessing the prospective financial information utilized in the purchase price allocation report and comparing the prospective financial information with the Company's historical financial information and the industry's expectation to validate the reasonableness;

4. Obtaining the third-party appraisal's purchase price allocation report of SOFTSTAR BEIJING, engaging internal valuation expert to assist us in assessing the reasonableness of the method, model, parameter and assumptions used in the report, and recalculating the purchase price allocation amount to validate its reasonableness.

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

Emphasis of Matter – Applying for New Accounting Standards

We draw attention to Note 3 of the consolidated financial statements, which describes the Company and its subsidiaries applied for the International Financial Reporting Standard 16, "Lease" starting from January 1, 2019, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

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

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

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

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

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

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

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

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

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

estimates and related disclosures made by management.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The Company has prepared its standalone financial statement for the years ended December 31, 2019 and 2018 with an unqualified opinion with emphasis of matter from us.

Yu, Chien-Ju
Yang, Chih-Huei

Ernst & Young, Taiwan
March 5, 2020

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		As of	
Assets	**Notes**	**December 31, 2019**	**December 31, 2018**
Current assets			
Cash and cash equivalents	4 and 6	$171,579	$180,410
Contract assets, current	4 and 6	72,418	112,692
Notes receivable, net	4	1,783	1,231
Other notes receivable-related parties, net	4 and 7	3,123	-
Accounts receivable, net	4 and 6	109,224	112,182
Accounts receivable-related parties, net	4, 6 and 7	11	5,161
Other receivables	4	24	2,094
Other receivables-related parties	4 and 7	1,341	181
Current income tax assets	4	4,149	1,342
Inventories, net	4 and 6	1,685	1,817
Prepayment	6 and 7	51,869	140,637
Other financial assets, current	8	1,493	45,113
Total current assets		418,699	602,860
Non-current assets			
Financial assets at fair value through other comprehensive income, non-current	4 and 6	55,992	189,506
Investments accounted for using the equity method	4 and 6	628,614	16,528
Contract assets, non-current	4 and 6	3,999	101,286
Property, plant and equipment, net	4 and 6	12,070	23,423
Right-of-use assets	4 and 6	37,891	-
Intangible assets	4 and 6	8,412	12,586
Deferred tax assets	4 and 6	33,969	4,081
Refundable deposits		7,999	11,846
Prepayment for investments		1,296	-
Costs to fulfill a contract	4 and 6	-	98,043
Other financial assets, non-current	8	30,000	23,000
Total non-current assets		820,242	480,299
Total assets		$1,238,941	$1,083,159

		As of	
Liabilities and Equity	**Notes**	**December 31, 2019**	**December 31, 2018**
Current liabilities			
Short-term borrowings	6	$-	$62,425
Contract liabilities, current	4 and 6	47,690	91,483
Accounts payable		91,389	68,770
Accounts payable-related parties	7	36,437	756
Other payables	6	71,248	87,158
Other payables-related parties	7	67	33
Current income tax liabilities	4 and 6	17,549	14,485
Lease liabilities, current	4, 6 and 7	25,430	-
Current portion of long-term borrowings	4, 6 and 8	50,350	36,881
Other current liabilities	6	1,314	48,848
Total current liabilities		341,474	410,839
Non-current liabilities			
Contract liabilities, non-current	4 and 6	-	115,967
Long-term borrowings	4, 6 and 8	57,392	47,721
Deferred tax liabilities	4 and 6	1,377	604
Lease liabilities, non-current	4 and 6	12,459	-
Other non-current liabilities		313	314
Net defined benefit liabilities	4 and 6	20,986	21,228
Total non-current liabilities		92,527	185,834
Total liabilities		434,001	596,673
Equity attributable to the parent company	4 and 6		
Common stock		492,945	477,945
Additional paid-in capital		162,992	179,197
Retained earnings			
Legal reserve		14,582	1,925
Special reserve		129,557	15,648
Unappropriated earnings		325,404	126,566
Other components of equity		(320,583)	(314,911)
Total equity attributable to the parent company		804,897	486,370
Non-controlling interests		43	116
Total equity		804,940	486,486
Total liabilities and equity		$1,238,941	$1,083,159

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2019 and 2018

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

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

			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**	**Total**	**Non-Controlling Interests**	**Total**
Balance as of January 1, 2018	$478,313	$25,174	$101	$-	$17,472	$(7,441)	$-	$(22,226)	$111	$491,504	$1,185	$492,689
Effect of retrospective application and retrospective restatement	-	-	-	-	41,328	-	(61,448)	22,226	-	2,106	-	2,106
Balance as of January 1, 2018 after adjustments	478,313	25,174	101	-	58,800	(7,441)	(61,448)	-	111	493,610	1,185	494,795
Appropriation and distribution of 2017 retained earnings												
Legal reserve	-	-	1,824	-	(1,824)	-	-	-	-	-	-	-
Special reserve	-	-	-	15,648	(15,648)	-	-	-	-	-	-	-
Net profit (loss) in 2018	-	-	-	-	87,823	-	-	-	-	87,823	(2,396)	85,427
Other comprehensive loss in 2018	-	-	-	-	(2,585)	(433)	(88,089)	-	-	(91,107)	-	(91,107)
Total comprehensive income (loss)	-	-	-	-	85,238	(433)	(88,089)	-	-	(3,284)	(2,396)	(5,680)
Changes in ownership interests in subsidiaries	-	(1,327)	-	-	-	-	-	-	-	(1,327)	1,327	-
Share-based payment transactions	(368)	155,350	-	-	-	-	-	-	(157,611)	(2,629)	-	(2,629)
Balance as of December 31, 2018	$477,945	$179,197	$1,925	$15,648	$126,566	$(7,874)	$(149,537)	$-	$(157,500)	$486,370	$116	$486,486
Balance as of January 1, 2019	$477,945	$179,197	$1,925	$15,648	$126,566	$(7,874)	$(149,537)	$-	$(157,500)	$486,370	$116	$486,486
Appropriation and distribution of 2018 retained earnings												
Legal reserve	-	-	12,657	-	(12,657)	-	-	-	-	-	-	-
Special reserve	-	-	-	113,909	(113,909)	-	-	-	-	-	-	-
Net income (loss) in 2019	-	-	-	-	326,039	-	-	-	-	326,039	(2,222)	323,817
Other comprehensive income (loss) in 2019	-	-	-	-	328	9,154	(133,514)	-	-	(124,032)	-	(124,032)
Total comprehensive income (loss)	-	-	-	-	326,367	9,154	(133,514)	-	-	202,007	(2,222)	199,785
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(19)	(19)
Changes in ownership interests in subsidiaries	-	(1,205)	-	-	(963)	-	-	-	-	(2,168)	2,168	-
Share-based payment transactions	15,000	(15,000)	-	-	-	-	-	-	118,688	118,688	-	118,688
Balance as of December 31, 2019	$492,945	$162,992	$14,582	$129,557	$325,404	$1,280	$(283,051)	$-	$(38,812)	$804,897	$43	$804,940

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

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

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

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 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. On August 8, 2001, the Company listed its shares of stock on the Taipei Stock Exchange (TPEx). 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, 2019 and 2018 were authorized for issue by the Board of Directors on March 5, 2020.

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, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(A) *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 Group followed the transition provision in IFRS 16 and the date of initial application was 1 January 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

(a) Please refer to Note 4 for the accounting policies before or after 1 January 2019.

(b) For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Group was 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. That is, for contracts entered into (or changed) on or after 1 January 2019, the Group need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessed most of the contracts are, or contain, leases and has no significant impact arised.

(c) The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized 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.

i. Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019, and; the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at either:

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 1 January 2019.

On 1 January 2019, the Group's right-of-use asset and lease liability increased by NT$75,115 thousand and NT$75,115 thousand, respectively.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

(i) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
(ii) Rely on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review.
(iii) Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of 1 January 2019.
(iv) Exclude initial direct costs from the measurement of the right-of-use asset on 1 January 2019.
(v) Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

ii. Please refer to Note 4 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

iii. As at 1 January 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

(i) The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 2.24%.
(ii) The explanation for the difference of NT$3,785 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019; and 2) lease liabilities recognized in the balance sheet as at 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at 31 December 2018	$87,587
Discounted using the incremental borrowing rate on 1 January 2019	$78,900
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(3,731)
Less: adjustment to leases that meet and elect the underlying asset of low value	(54)
The carrying value of lease liabilities recognized as at 1 January 2019	$75,115

(d) The Group is a lessor and has not made any adjustments. Please refer to Note 4 and Note 6 for the information relating to the lessor.

(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)	Definition of a Business (Amendments to IFRS 3)	1 January 2020
(B)	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020
(C)	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020

(A) 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.

(B) 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.

(C) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(a) highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(b) prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(c) IAS 39 retrospective assessment
An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(d) separately identifiable risk components
For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2020. As the Group determined the potential impact of the standards and interpretations, it has no material impact on the Group.

(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”	1 January 2021
(C)	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2022

(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) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

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, 2019 and 2018 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, 2019	December 31, 2018	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	Note 1
The Company	FAIRY PALM INC.	Software publishing and software services, etc.	-	51	Note 2
The Company	SOFTSTAR CREATIVE INC.	Software wholesale and software services	100	100	Note 3
The Company	KOBE CO., LTD.	Investment holdings	100	100	
The Company	GAMEBASE DIGITAL MEDIA CORPORATION	Software services and information processing services, etc.	92.73	86.67	Note 4
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	PERFECTEN CORPORATION	Network software development and technical services, etc.	100	100	Note 5
SOFTSTAR INTERNATIONAL INC. (SII)	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Information processing services	Note 6	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	Note 6	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	Note 7

Note 1: MARSWARE ENTERTAINMENT INC. was dissolved in November 2018, and is still in the liquidation process.

Note 2: FAIRY PALM INC. was dissolved in March 2019 and returned the share capital on December 26, 2019.

Note 3: WECOOL GAME CO., LTD. changed its name to SOFTSTAR CREATIVE INC. in 2018.

Note 4: 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 its capital by NT$10,000 thousand in cash. The capital increase represents 1,000 thousand shares, all of which were subscribed by the Company. After the capital increase, the Company owns 86.67% of Gamebase Digital Media Corporation's shares. Gamebase Digital Media Corporation increased its capital by NT$5,000 thousand, NT$5,000 thousand, NT$10,000 thousand and NT$5,000 thousand in January, March, May and October 2019, respectively, totalling NT$25,000 thousand and 2,500 thousand shares. The new shares were subscribed by the Company and the registration process is completed. After the capital increase, the Company owns 92.73% of Gamebase Digital Media Corporation's shares.

Note 5: PERFECTEN CORPORATION was dissolved in November 2018, and is still in the liquidation process.

Note 6: On April 25, 2019, the Company's board of directors approved the capital injection plan of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING) SOFTSTAR BEIJING, a subsidiary of the Group, was seeking to increase its capital in order to introduce long-term partners. All of the shares were subscribed by CMGE TECHNOLOGY GROUP LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Group. The total amount of capital injection was RMB$213,000 thousand. After the capital injection, CMGE holds 51% of total shares in SOFTSTAR BEIJING. The Company holds 49% of total shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC. On June 3, 2019 the Company has lost control of SOFTSTAR BEIJING, derecognizing SOFTSTAR BEIJING and its wholly owned subsidiary SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD. in the consolidated report; instead, the investment is measured at fair value and recognized under investment accounted for using the equity method. Please refer to Note 6 (24) for the further explanation.

Note 7: In order to integrate the Group's resources, JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD. completed the liquidation procedure on March 26, 2019.

(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* 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* 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 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, other financial assets, current, refundable deposits and other financial assets, non-current 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.

(B) Impairment of financial assets

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.
(d) For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), 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.

(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*.

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 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 group of financial liabilities or financial assets and financial liabilities 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.

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.

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 prorata basis.

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 prorata basis 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 or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group 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 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
Right-of-use assets	1~2 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

The accounting policy from 1 January 2019 as follow:

For contracts entered on or after 1 January 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(A) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(B) the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. 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.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(A) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(B) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(C) amounts expected to be payable by the lessee under residual value guarantees;
(D) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(E) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(A) the amount of the initial measurement of the lease liability;
(B) any lease payments made at or before the commencement date, less any lease incentives received;
(C) any initial direct costs incurred by the lessee; and
(D) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before 1 January 2019 as follow:

Group as a lessee

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

(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 in accordance with IFRS 15.

(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 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 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 significantly reversed in the subsequent period, when the uncertainty associated with the contracts are eliminated. For some contracts, if the Group has fulfilled the performance obligation but does not have a right to an unconditional consideration, 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, when part of the consideration was received from customers upon signing the contract and the Group owns the obligation to provide the services subsequently, these contracts should be recognized as contract liabilities.

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

The Group usually fulfills its obligation and reclasses the contract liabilities to revenue within an year, thus, no significant financing component arose.

(C) The Group provides services related to the operation of online games . When the players recharge their game credits, they can subsequently use the credits to buy virtual items in the game. The Group recognizes the proceeds received from the sales of game points as contract liabilities. Revenue is recognized in accordance with the estimated lifetime of the virtual items after players recharge their game credits and subsequently use the credits to by virtual items.

The Group usually fulfills its obligation and reclasses the contract liabilities to revenue within an year, thus, no significant financing component arose.

Costs to fulfill 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.

(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* 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 requires the 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 arising from these assumptions and estimates could result in material adjustments to the carrying amount of the assets or liabilities in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. Revenue recognition – royalties

In accordance with IRFS 15, the Group identifies performance obligations and determine whether the licensing 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.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These estimates and assumptions are discussed below.

A. Estimate of variable consideration

With the Group's business practices, the Group 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 when the uncertainty associated with the contracts are eliminated.

B. Accounts receivables–estimate of impairment loss

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 (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.

C. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (i.e. the discounted cash flows model) or market approach. Changes in assumptions used in the valuation model could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2019	2018
Cash on hand & petty cash	$291	$532
Checking and saving accounts	171,288	179,878
Total	$171,579	$180,410

(2) Accounts receivable and Accounts receivable-related parties

	As of December 31,	
	2019	2018
Accounts receivable	$155,920	$113,694
Less: allowance for sales returns and discounts	(2,856)	(566)
Loss allowance	(44,110)	(1,089)
Subtotal	109,224	112,039
Accounts receivable from related parties	11	5,304
Less: loss allowance	-	-
Subtotal	11	5,304
Total	$109,235	$117,343

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of December 31, 2019 and 2018 are NT$155,931 thousand and NT$118,998 thousand, respectively. Please refer to Note 6 (17) for more details on loss allowance of accounts receivable for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(3) Inventories, net

	As of December 31,	
	2019	2018
Work in progress	$15	$7
Finished goods	1,670	1,810
Total	$1,685	$1,817

The cost of inventories recognized in expenses amounted to NT$3,930 thousand and NT$3,172 thousand for the year ended December 31, 2019 and 2018, respectively, including the write-down of inventories of NT$394 thousand and NT$1,601 thousand, respectively.

No inventories were pledged.

(4) Prepayment

	As of December 31,	
	2019	2018
Prepaid outsourcing expense	$41,391	$121,809
Prepaid rent	-	2,307
Other prepayments	10,478	16,521
Total	$51,869	$140,637

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

	As of December 31,	
	2019	2018
Equity instrument investments measured at fair value through other comprehensive income, noncurrent:		
Listed company stocks		
NEWRETAIL CO., LTD.	$14,718	$36,502
Emerging stocks		
SNSPLUS, INC.	5,351	5,484
Private company stocks		
AUER MEDIA & ENTERTAINMENT CORP.	27,822	137,247
TAIWAN SMART CARD CO.	3,848	5,480
DOUBLE EDGE ENTERTAINMENT CORP. (NOTE)	4,253	4,793
FUNFIA INC.	-	-
Total	$55,992	$189,506

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

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

(6) 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,			
	2019		2018	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
Chia-e International Inc.	-	28.21%	10,729	28.21%
A.R.T. Games Co., Ltd.	2,906	49%	5,799	49%
SOFTSAR TECHNOLOGY (BEIJING) CO., LTD.	625,708	49%	-	-
	$628,614		$16,528	

Note: On April 25, 2019, the Company's board of directors approved the capital injection plan of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING) SOFTSTAR BEIJING, a subsidiary of the Group, was seeking to increase its capital in order to introduce long-term partners. All of the shares were subscribed by CMGE TECHNOLOGY GROUP LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Group. The total amount of capital injection was RMB$213,000 thousand. After the capital injection, CMGE holds 51% of total shares in SOFTSTAR BEIJING. The Company holds 49% of total shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC. On June 3, 2019 the Company has lost control of SOFTSTAR BEIJING, derecognizing SOFTSTAR BEIJING and its wholly owned subsidiary SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD. in the consolidated report; instead, the investment is measured at fair value and recognized under investment accounted for using the equity method. Please refer to Note 6 (24) for the further explanation.

Information on the material associate of the Group:

Company name: SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.

Nature of the relationship with the associate: SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. is in the business of information processing services. The Group invested in SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. for the purpose of business needs.

Principal place of business (country of incorporation): Mainland China

Reconciliation of the associate's summarized financial information presented to the carrying amount of the Group's interest in the associate:

The summarized financial information of the associate is as follows:

	As of December 31, 2019
Current assets	$1,018,977
Non-current assets	354,615
Current liabilities	(465,919)
Non-current liabilities	-
Equity	$907,673
Proportion of the Group's ownership	49%
Subtotal	$444,760
Intangible assets	159,918
Goodwill	21,030
Carrying amount of the investment	$625,708

	June 3, 2019 through December 31, 2019
Operating revenue	$79,491
Profit or loss from continuing operations	(107,808)
Other comprehensive income	-
Total comprehensive income	$(107,808)

Note: The profit and loss only includes the amount after the loss of control on June 3, 2019.

In June and November 2018, the Group subscribed for the capital increase of 245,000 shares of A.R.T. Games Co., Ltd., totalling 245,000 shares and NT$2,450 thousand and 490,000 shares, and NT$4,900 thousand, respectively. The Group owns 49% of A.R.T. Games Co., Ltd. after the subscription.

The Group assesses the recoverable amounts of its investment in Chia-e International Inc., and recognized an impairment loss of NT$9,426 thousand.

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. are NT$2,906 thousand and NT$6,528 thousand, as of December 31, 2019 and 2018, respectively. The aggregate financial information of the Group's investments in Chia-e International Inc. and A.R.T. Games Co., Ltd. are as follows:

	For the years ended December 31	
	2019	2018
Profit or loss from continuing operations	$(10,912)	$(18,677)
Other comprehensive income (net of tax)	-	-
Total comprehensive loss	$(10,912)	$(18,677)

The Group recognized the investment income(loss) based on the financial information of the investees recognized in investments accounted for under the equity method. Such financial information are as follow:

	Investment gain/(loss) For the years ended December 31	
	2019	2018
Chia-e International Inc.	$(1,303)	$(2,623)
A.R.T. Games Co., Ltd.	(2,937)	(4,595)
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (Note)	(62,733)	-
Total	$(66,973)	$(7,218)

Note: Investment gain included a NT$9,906 thousand amortization between the book value and fair value of its intangible assets, which was recognized after losing control of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.

The aforementioned associates had no contingent liabilities or capital commitments as at December 31, 2019 and 2018. No investments accounted for using the equity method were pledged.

(7) Property, plant and equipment

	As of December 31,	
	2019	2018(Note)
Owner occupied property, plant and equipment	$12,070	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(A) Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Machinery and equipment	Office equipment	Leasehold improvements	Total
Cost:				
As of January 1, 2019	$18,237	$17,234	$21,428	$56,899
Additions	1,660	821	408	2,889
Disposals	(882)	(1,132)	-	(2,014)
Transfers	(206)	206	-	-
Exchange differences	161	24	81	266
Disposal of subsidiaries	(9,034)	(1,272)	(4,135)	(14,441)
As of December 31, 2019	$9,936	$15,881	$17,782	$43,599
Depreciation and impairment:				
As of January 1, 2019	$9,639	$12,048	$11,789	$33,476
Depreciation	2,331	2,350	3,800	8,481
Disposals	(809)	(1,096)	-	(1,905)
Transfers	(490)	490	-	-
Exchange differences	71	14	70	155
Disposal of subsidiaries	(4,299)	(822)	(3,557)	(8,678)
As of December 31, 2019	$6,443	$12,984	$12,102	$31,529
Net carrying amounts as of:				
December 31, 2019	$3,493	$2,897	$5,680	$12,070

(B) Property, plant and equipment lease out under operating lease (before IFRS 16 adoption)

	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
Depreciation and impairment:				
As of January 1, 2018	$7,987	$16,496	$11,613	$36,096
Depreciation	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
Net carrying amounts as of:				
December 31, 2018	$8,598	$5,186	$9,639	$23,423

Property, plant and equipment were not pledged.

(8) Intangible assets

	Trademarks	Computer software	Game Royalty	Goodwill	Total
Cost:					
As of January 1, 2019	$6,870	$42,815	$18,473	$2,712	$70,870
Addition-acquired separately	-	7,925	-	-	7,925
Deduction-derecognized	-	(11,128)	(4,243)	-	(15,371)
Exchange differences	-	214	-	-	214
Disposal of subsidiaries	-	(7,880)	(14,230)	-	(22,110)
As of December 31, 2019	$6,870	$31,946	$-	$2,712	$41,528
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
Amortization and impairment:					
As of January 1, 2019	$6,870	$32,941	$18,473	$-	$58,284
Amortization	-	9,076	-	-	9,076
Deduction-derecognized	-	(11,128)	(4,243)	-	(15,371)
Exchange differences	-	141	-	-	141
Disposal of subsidiaries	-	(4,784)	(14,230)	-	(19,014)
As of December 31, 2019	$6,870	$26,246	$-	$-	$33,116
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
Net carrying amount as of:					
December 31, 2019	$-	$5,700	$-	$2,712	$8,412
December 31, 2018	$-	$9,874	$-	$2,712	$12,586

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

	For the years ended December 31	
	2019	2018
Operating costs	$-	$-
Operating expenses	$9,076	$12,132

(9) Short-term borrowings

		As of December 31,	
	Interest Rate (%)	2019	2018
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 $95,000 thousand and $105,732 thousand as of December 31, 2019 and 2018, respectively.

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

(10) Other payables

	As of December 31,	
	2019	2018
Salary payable	$41,904	$56,770
Professional service fees payable	3,662	2,460
Insurance payable	2,455	1,936
Advertising payable	345	8
Other accrued expenses	22,882	25,984
Total	$71,248	$87,158

(11) Other current liabilities

	As of December 31,	
	2019	2018
Security deposits (Note)	$-	$47,606
Other	1,314	1,242
Total	$1,314	$48,848

Note : Security deposits related to CMGE security deposits for SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. capital increase. This was derecognized when the group lost its control in June 2019.

(12) Long-term borrowings

Details of long-term loans are as follows:

Lenders	As of December 31, 2019	Interest Rate (%)	Maturity date and terms of repayment
Taiwan Business Bank secured loan	$9,000	2.2%	Repayable quarterly from March 16, 2017 to March 16, 2022. Interest paid monthly.
Taiwan Business Bank secured loan	18,334	2.2%	Repayable monthly from October 23, 2018 to October 23, 2021. Interest paid monthly.
Bank of Kaohsiung secured loan	13,479	2.2%	Repayable monthly from December 19, 2018 to December 19, 2021. Interest paid monthly.
Taichung Commercial Bank secured loan	21,000	2.3%	Repaid NT2,000 thousand quarterly from April 1, 2019 to April 1, 2022. Interest paid monthly.
Bank of Panhsin secured loan	14,263	2.3%	Repayable monthly from May 29, 2019 to May 29, 2021. Interest paid monthly.
Hua Nan Bank secured loan	13,333	2.3%	Repayable monthly from August 5, 2019 to August 5, 2022. Interest paid monthly.
Chang Hwa Bank secured loan	18,333	2.26%	Repayable quarterly from September 20, 2019 to September 20, 2022. Interest paid monthly.
Subtotal	107,742		
Less: current portion	(50,350)		
Total	$57,392		

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

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

(13) 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, 2019 and 2018, 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, 2019 and 2018 are NT$17,500 thousand and NT$29,982 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$449 thousand to its defined benefit plan during the 12 months after December 31, 2019.

The average-weighted duration of the defined benefits plan obligation as at December 31, 2019 and 2018, are 12 years and 13 years.

Pension costs recognized in profit or loss for the years ended December 31, 2019 and 2018:

	For the years ended December 31,	
	2019	2018
Current period service costs	$376	$361
Interest income or expense	212	223
Total	$588	$584

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, 2019	December 31, 2018	January 1, 2018
Present value of the pension obligation under defined benefit pension plans	$37,189	$38,906	$36,312
Fair value of plan assets	(16,203)	(17,678)	(17,727)
Net defined benefit liabilities, noncurrent	$20,986	$21,228	$18,585

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

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability /(asset)
As of January 1, 2018	$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
Current period service costs	376	-	376
Net interest expense (income)	389	(177)	212
Subtotal	765	(177)	588
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	1,289	-	1,289
Experience adjustments	(951)	(666)	(1,617)
Subtotal	338	(666)	(328)
Payments from the plan	(2,820)	2,820	-
Contributions by employer	-	(502)	(502)
As of December 31, 2019	$37,189	$(16,203)	$20,986

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

	As of December 31,	
	2019	2018
Discount rate	0.70%	1.00%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as of December 31, 2019 and 2018 is, as shown below:

	2019		2018	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	$-	$(1,078)	$-	$(1,191)
Discount rate decrease by 0.25%	1,118	-	1,237	-
Future salary increase by 0.25%	1,007	-	1,124	-
Future salary decrease by 0.25%	-	(978)	-	$(1,090)

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.

(14) Equities

(A) Common stock

The Company's authorized capital was NT$1,000,000 thousand and issued capital was NT$492,945 thousand and NT$477,945 thousand as of December 31, 2019 and 2018, 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 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, and was issued on January 5, 2019 as the based date for capital increase. The registration was completed.

For the years ended December 31, 2019 and 2018, the Company redeemed and cancelled 0 thousand shares and 37 thousand shares of issued restricted stocks for employees, respectively.

On June 10, 2019, 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 per 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.

(B) Capital surplus

	As of December 31,	
	2019	2018
Additional Paid-in Capital	$77,492	$20,492
Increase (decrease) through changes in ownership interests in subsidiaries	-	1,205
Restricted employee stock	85,500	157,500
Total	$162,992	$179,197

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 per 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.

(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 conservative principle. Paying stock dividend is preferred. If there is a surplus, it will be distributed to shareholders as cash dividends, but the ratio of cash dividend distribution is expected to be lower than 50% of the total dividend distribution.

According to the Company Act, the Company is required to set aside an amount from its earnings to legal reserve unless such legal reserve reaches 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 sets aside and reverses special reserves.

Details of the 2018 earnings distribution and dividends per share as approved by the shareholder's meeting on June 10, 2019 is as follows:

	Appropriation of earnings	Dividend per share (NTD)
	2018	2018
Legal reserve	$12,657	$-
Special reserve	113,909	-

Please refer to Note 6(19) for details on employees' compensation and remuneration to directors and supervisors.

(D) Non-controlling interests

	For the years ended December 31,	
	2019	2018
Beginning balance	$116	$1,185
Loss attributable to non-controlling interests	(2,222)	(2,396)
Disposal of a subsidiary	(19)	-
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	2,168	1,327
Ending balance	$43	$116

(15) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations. The group grants the equity instruments to the employees in return for the services they provide. 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 contract 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: A portion of the restricted employee stock will be vested at the end of each year if the employee’s performance reaches the target set by the company. The maximum share vested will be 40%, 30% and 30% in each of the three years.

For the year ended December 31, 2018, the Company redeemed and cancelled 37 thousand shares of issued restricted stocks for employees, without compensation in accordance with the issuance regulations. The capital reserve of NT$2,150 thousand that arose was also reversed. The aforementioned restricted employee stocks have been fully vested in 2018.

(B) The Group applied for an additional issuance of restricted employee stock in 2018 and issued on January 5, 2019 of NT$15,000 thousand, totaling 1,500 thousand shares, and the share price was NT$105 per share. 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, 2019	1,500,000	28 months	Achievement of performance conditions (Note 2)

Note 1: The restricted employee stock issued by the Group are not transferable during the contract 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: A portion of the restricted employee stock will be vested at the end of four months, sixteen months and twenty-eight months if the employee’s performance reaches the target set by the company. The maximum share vested will be 40%, 30% and 30% in each of the three periods.

(C) The expenses recognized for employee services received for the years ended December 31, 2019 and 2018, are shown in the following table:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Total expense arising from equity-settled share-based payment transactions	$118,688	$(2,629)

(16) Operating revenue

	For the years ended December 31, 2019	For the years ended December 31, 2018
Revenue from contracts with customers		
Sale of goods	$5,289	$26,083
Rendering of service	559,183	827,422
Other operating revenue	3,999	7,546
Less: sales returns and allowances	(2,653)	(5,313)
Total	$565,818	$855,738

Analysis of revenue from contracts with customers during the year ended December 31, 2019 is as follows:

(A) Disaggregation of revenue

For the year ended December 31, 2019

	Operating Department	Research and Development Department	Total
Sale of goods	$2,636	$-	$2,636
Rendering of services	169,545	393,637	563,182
Total	$172,181	$393,637	$565,818
Timing of revenue recognition:			
At a point in time	$8,040	$106,326	$114,366
Over time	164,136	287,316	451,452
Total	$172,176	$393,642	$565,818

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	$72,418	$112,692	$(40,274)	(36)%
Contract assets, noncurrent	3,999	101,286	(97,287)	(96)%
Contract liabilities, current	(47,690)	(91,483)	43,793	(48)%
Contract liabilities, noncurrent	-	(115,963)	115,967	(100)%
Net contract assets (liabilities)	$28,727	$6,528	$22,199	

Contract assets decreased by NT$137,561 thousand from December 31, 2018 to December 31, 2019, mainly due to the loss of control of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. on June 3, 2019, where the Group derecognized its NT$96,147 thousand contract assets. In addition, a NT$56,242 thousand contract assets from film and television licensing in 2018 will be expired within one year, it is reclassified to contract assets, current. The remaining amount is reclassified to account receivables which has a right to an amount of consideration that is unconditional.

Contract liabilities decreased by NT$159,760 thousand from December 31, 2018 to December 31, 2019, mainly due to the loss of control of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. on June 3, 2019, where the Group derecognized its NT$171,153 thousand contract liabilities. The remaining amount is due to advance payment of mobile games contract received in 2019, which is expected to be recognized as revenue when the mobile games launch in the following years.

(C) Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT$47,690 thousand as of December 31, 2019. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT$207,450 thousand as of 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 fulfill a contract

As of December 31, 2019 and 2018, the incremental cost of fulfilling a game licensing contract (mainly for game development costs) was recognized as costs to fulfill a contract of NT$0 thousand and NT$98,043 thousand, respectively. 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.

(17) Expected credit losses/ (gains)

	For the years ended December 31,	
	2019	2018
Operating expenses – Expected credit losses/(gains)		
Contract assets	$12,228	$6,973
Accounts receivable	48,776	3,061
Total	$61,004	$10,034

The credit risk of the Group's financial assets measured at amortized cost are assessed as low (same as the assessment result in the beginning of the period). Besides, the Group only transacts with good credit financial institutions, such as banks. Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses at a 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 are as follows:

(A) the gross carrying amount of contract assets are NT$76,417 thousand and NT$213,978 thousand as at December 31, 2019 and 2018, respectively. The loss allowance amounts to NT$0 where an expected credit loss ratio of 0% is used.

(B) the Group groups its trade receivables by counterparties' credit rating, geographical region and industry sector, and its loss allowance is measured by using a provision matrix. The details are as follow:

As of December 31, 2019

Group 1

	Not yet due	Overdue				
	(Note)	<=30 days	31-120 days	121-365 days	>=365 days	Total
Gross carrying amount	$52,649	$1,976	$1,351	$1,191	$138	$57,305
Loss ratio	-%	0.24%	5.19%	63.12%	100%	
Lifetime expected credit losses	-	(5)	(70)	(752)	(138)	(965)
Subtotal	$52,649	$1,971	$1,281	$439	$-	$56,340

Group 2

	Not yet due	Overdue				
	(Note)	<=30 days	31-120 days	121-365 days	>=365 days	Total
Gross carrying amount	$38,407	$-	$3,275	$19,975	$36,166	$97,823
Loss ratio	-%	-%	[illegible]	[illegible]	100%	
Lifetime expected credit losses	-	-	(755)	(6,224)	(36,166)	(43,145)
Subtotal	$38,407	$-	$2,520	$13,751	$-	$54,678
Total						$111,018

As of December 31, 2018

	Not yet due	Overdue				
	(Note)	<=30 days	31-120 days	121-365 days	>=365 days	Total
Gross carrying amount	$112,812	$256	$2,624	$3,722	$249	$119,663
Loss ratio	-%	1.56%	3.05%	20.31%	100%	
Lifetime expected credit losses	-	(4)	(80)	(756)	(249)	(1,089)
Total	$112,812	$252	$2,544	$2,966	$-	$118,574

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, 2019 and 2018 are as follows:

	Contract Assets	Accounts Receivable
As of January 1, 2019	$-	$1,089
Addition/(reversal) for the current period	12,228	48,776
Write off	(12,228)	(5,755)
As of December 31, 2019	$-	$44,110
As of January 1, 2018 (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)
As of December 31, 2018	$-	$1,089

Please refer to Note 12 for further details on credit risk.

(18) Operating leases

A. Group as a lessee (applicable to the disclosure requirement under IFRS 16)

The Group leases various properties, including real estate (land and buildings), machinery and equipment, transportation equipment, office equipment and other equipment. The lease terms range from 1 to 2 years.

The Group's leases impact to the financial position, financial performance and cash flows are as follow:

(A) Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2019	2018 (Note)
Buildings	$37,891	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(b) Lease liabilities

	As of December 31,	
	2019	2018 (Note)
Lease liabilities	$37,889	
Current	$25,430	
Non-current	$12,459	

Please refer to Note 6 (20)(C) for the interest on lease liabilities recognized during the year ended December 31, 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2019.

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(B) Amounts recognized in the statement of profit or loss

Depreciation expense of right-of-use assets

	For the year ended December 31,	
	2019	2018 (Note)
Buildings	$28,413	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(C) Income and costs relating to leasing activities

	For the year ended December 31,	
	2019	2018 (Note)
The expenses relating to short-term leases	$4,032	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	327	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(D) Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Group's total cash outflows for leases amounting to NT$33,718 thousand.

B. Operating lease commitments - Group as a lessee (applicable to the disclosure requirement in IAS 17)

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, 2019 and 2018 are as follows:

	As of December 31,	
	2019 (Note)	2018
Not later than one year		$42,927
Later than one year and not later than five years		44,660
Later than five years		-
Total		$87,587

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		$42,383

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(19) Summary statement of employee benefits, depreciation and amortization expense by function during the years ended December 31, 2019 and 2018:

	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$-	$328,835	$328,835	$-	$267,835	$267,835
Labor and health insurance	-	19,110	19,110	-	25,884	25,884
Pension	-	18,089	18,089	-	30,566	30,566
Other employee benefits expense	-	15,764	15,764	-	24,526	24,526
Depreciation	-	36,894	36,894	-	13,679	13,679
Amortization	-	9,076	9,076	-	12,132	12,132

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, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 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, 2019 amount to NT$16,970 thousand and NT$3,394 thousand, respectively. On March 5, 2020, the Board of Directors meeting resolved to distribute NT$16,970 thousand and NT$3,394 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2019, respectively.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2018 amount to NT$6,580 thousand and NT$1,316 thousand, respectively, whereas the estimated amount accrued in the financial statements for the year ended 31 December 2018 were NT$6,484 and NT$1,297, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2018 are recognized in profit or loss of the subsequent year in 2019.

(20) Non-operating income and expenses

(A) Other income

	For the years ended December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$1,114	$615
Dividend income	-	1,131
Other income	6,758	7,399
Total	$7,872	$9,145

(B) Other gains and losses

	For the years ended December 31,	
	2019	2018
Losses on disposal of property, plant and equipment	$(18)	$(119)
Losses on disposal of intangible assets	-	(36)
Gains (losses) on disposal of investments	641,077	(5)
Foreign exchange losses, net	(8,788)	(1,231)
Impairment loss from non-financial assets	(9,426)	(363)
Other	(4,648)	(6,393)
Total	$618,197	$(8,147)

(C) Finance costs

	For the years ended December 31,	
	2019	2018
Interest on borrowings from bank	$4,440	$1,674
Interest on lease liabilities	1,209	(Note)
Total	$5,649	$1,674

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(21) Components of other comprehensive loss

For the year ended December 31, 2019:

	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	$328	$-	$328	$-	$328
Unrealized gains or losses from financial assets at fair value through other comprehensive loss	(133,514)	-	(133,514)	-	(133,514)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	9,154	-	9,154	-	9,154
Total of other comprehensive loss	$(124,032)	$-	$(124,032)	$-	$(124,032)

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)

(22) 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 increased from 17% to 20%. The corporate income surtax on undistributed retained earnings has decreased from 10% to 5%.

The major components of income tax expense for 2019 and 2018 are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31, 2019	2018
Current income tax expense:		
Current income tax charge	$41,165	$58,851
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	(29,115)	(3,477)
Total income tax expense	$12,050	$53,135

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31,	
	2019	2018
Accounting profit before tax from continuing operations	$335,867	$138,562
Tax at the domestic rates (20% for 2019 and 20% for 2018) applicable to profits in the country concerned	$67,173	$27,712
Tax effect of revenues exempt from taxation	5,531	(226)
Tax effect of non-deductible expenses from taxation	582	-
Tax effect of deferred tax assets/liabilities	(84,831)	(28,263)
Adjustments in respect of current income tax of prior periods	-	(2,239)
Overseas withholding tax	23,595	56,151
Total income tax expense recognized in profit or loss	$12,050	$53,135

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Recognized in profit or loss	Ending balance as of December 31, 2019
Temporary differences			
Unrealized bad debt expense	$142	$8,285	$8,427
Unrealized foreign exchange losses	365	865	1,230
Unrealized foreign exchange gains	-	(707)	(707)
Unrealized margin in sales return	(11)	11	-
Defined benefit liability, non-current	3,574	17	3,591
Others	(593)	(77)	(670)
Unused tax losses	-	20,721	20,721
Deferred tax income/ (expense)		$29,115	
Net deferred tax assets/(liabilities)	$3,477		$32,592
Reflected in balance sheet as follows:			
Deferred tax assets	$4,081		$33,969
Deferred tax liabilities	$604		$1,377

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
Unrealized margin in sales return	-	(11)	(11)
Defined benefit liability, non-current	-	3,574	3,574
Others	-	(593)	(593)
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, 2019	Unused tax losses As of December 31, 2018	Expiration year
2014	$15,029	$1,544	$1,544	2024
2019	207,203	207,203	-	2029
		$208,747	$1,544	

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, 2019	Unused tax losses As of December 31, 2018	Expiration year
2014	$13,795	$13,795	$13,795	2024
2015	20,603	20,089	20,089	2025
2016	129,772	80,936	80,936	2026
2017	50,061	50,061	50,061	2027
2018	78,239	78,239	78,239	2028
2019	26,998	26,998	-	2029
		$270,118	$243,120	

Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets have not been recognized in respect of unused tax losses and deductible temporary differences amounting to NT$71,856 thousand and NT$102,637 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As at December 31, 2019, 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 2017
Subsidiary- LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Assessed and approved up to 2018
SUBSIDIARY- PERFECTEN CORPORATION	Assessed and approved up to 2018
SUBSIDIARY- SOFTSTAR AGENCY CO., LTD.	Assessed and approved up to 2018
SUBSIDIARY- MARSWARE ENTERTAINMENT INC.	Assessed and approved up to 2018
SUBSIDIARY- KOBE CO., LTD.	Assessed and approved up to 2018
SUBSIDIARY-GAMEBASE DIGITAL MEDIA CORPORATION	Assessed and approved up to 2018
SUBSIDIARY- SOFTSTAR CREATIVE INC.	Assessed and approved up to 2018
SUBSIDIARY- FAIRY PALM INC.	Assessed and approved up to 2017

(23) 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,	
	2019	2018
(A) Basic earnings per share		
Net income attributable to ordinary equity holders of the Company (in thousand NT$)	$326,039	$87,823
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	48,189	47,708
Basic earnings per share (NT$)	$6.77	$1.84

	For the years ended December 31, 2019	For the years ended December 31, 2018
(B) Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$326,039	$87,823
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	48,189	47,708
Effect of dilution:		
Restricted employee stock	647	10
Employee compensation-stock (in thousands)	186	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	49,022	47,718
Diluted earnings per share (NT$)	$6.65	$1.84

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.

(24) Changes in ownership interests in subsidiaries

Loss control of a subsidiary

On April 25, 2019, the Company's board of directors approved the capital injection plan of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING) SOFTSTAR BEIJING, a subsidiary of the Group, was seeking to increase its capital in order to introduce long-term partners. All of the shares were subscribed by CMGE TECHNOLOGY GROUP LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Group. The total amount of capital injection was RMB$213,000 thousand. After the capital injection, CMGE holds 51% of total shares in SOFTSTAR BEIJING. The Company holds 49% of total shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC. On June 3, 2019 the Company has lost control of SOFTSTAR BEIJING, derecognizing SOFTSTAR BEIJING and its wholly owned subsidiary SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD. in the consolidated report; instead, the investment is measured at fair value and recognized under investment accounted for using the equity method. The carrying amount of assets and liabilities of SOFTSTAR BEIJING as of June 3, 2019 are as follows:

	Carrying amount
Cash and cash equivalents	$583,737
Contract assets, current	26,091
Notes and accounts receivable	13,229
Other receivables	6,835
Current income tax assets	182
Prepayment	35,590
Costs to fulfill a contract	160,496
Contract assets, noncurrent	95,601
Property, plant and equipment	5,763
Intangible assets	3,096
Right-of-use assets	9,914
Refundable deposits	1,965
Short-term borrowings	(93,131)
Other payables	(41,116)
Contract liabilities	(201,025)
Other current liabilities	(550,164)
Lease liabilities	(10,174)
Total net assets	46,889
Net assets attributable to non-controlling interests	-
Net assets recognized on the disposal date	$46,889

Gain on disposal of a subsidiary	
Fair Value of remaining investments	$688,441
Less: Carrying amount of net assets recognized on the disposal date	(46,889)
Gains on disposal of investments	$641,552

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
NEWRETAIL CO., LTD.	The chairman of the Company and the key management personnel of this company are second-degree relatives
TOKYO FASHION CO., LTD.	The chairman of the Company and the director of this company are second-degree relatives
NEWLOGISTICS CO., LTD.	The chairman of the Company and the director of this company are second-degree relatives
E-NET CO., LTD. (Note 1)	The chairman of the Company and the director of this company are second-degree relatives
The Playground Investment Limited, Taiwan Branch (Note 2)	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 the chairman of this company
Bakesi Wine Group Co., Ltd.	The chairman of the Company is the chairman of this company
DOUBLE EDGE ENTERTAINMENT CORP.	The Company is the director of this company
A.R.T. Games Co., Ltd.	Associate
SOFTSAT TECHNOLOGY (SHANGHAI) CO., LTD. (Note 3)	Associate
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (Note 3)	Associate

Note 1: NEWCROSS CO., LTD. changed its name to E-NET CO., LTD. in August 2019.

Note 2: Due to changes in shareholder structure, The Playground Investment Limited, Taiwan Branch was no longer a related party of the Group in February 2019.

Note 3: The Group lost control of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. on June 3, 2019, and recognized the remaining 49% of the shares of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. as investment accounted for using the equity method. SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. and its 100% owned subsidiary SOFTSAT TECHNOLOGY (SHANGHAI) CO., LTD. became the associates of the Group from the date of losing control.

Significant transactions with the related parties

(1) Sales

	For the years ended December 31,	
	2019	2018
Rendering of services		
Other related parties	$875	$18,977

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,	
	2019	2018
Other related parties		
FUNFIA INC.	$3,927	$2,405
TOKYO FASHION CO., LTD.	-	1,022
DOUBLE EDGE ENTERTATIONENT CORP.	1,782	-
Others	633	382
Total	$6,342	$3,809

(3) Other notes receivable-related parties

	As of December 31,	
	2019	2018
Other related parties		
TOKYO FASHION CO., LTD.	$387	$-
E-NET CO., LTD.	2,736	-
Total	$3,123	$-

(4) Accounts receivable-related parties

	As of December 31,	
	2019	2018
Other related parties	$11	$5,161

(5) Other receivables-related parties

	As of December 31,	
	2019	2018
Other related parties		
TOKYO FASHION CO., LTD.	$381	$94
E-NET CO., LTD.	683	87
NEW RETAIL CO., LTD.	239	-
Others	37	-
Total	$1,340	$181

(6) Prepayment-related parties

	As of December 31,	
	2019	2018
Associate		
A.R.T Games Co., Ltd.	$1,905	$1,905
Other related parties		
FUNFIN INC.	-	4,046
Total	$1,905	$5,951

Prepayment-related parties relates to game outsourcing costs.

(7) Accounts payable-related parties

	As of December 31,	
	2019	2018
Associates		
SOTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	$5,388	$-
SDFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	31,032	-
Other related parties	17	756
Total	$36,437	$756

(8) Other payables-related parties

	As of December 31,	
	2019	2018
Other related parties		
NEWLOGISTICS CO., LTD.	$67	$33

(9) Lease-related parties

(A) Right-of-use assets

	As of December 31,	
	2019	2018 (Note)
Other related parties	$461	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(B) Lease liabilities

	As of December 31,	
	2019	2018 (Note)
Other related parties	$466	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(C) Interest expenses

	For the years ended December 31,	
	2019	2018
Other related parties	$14	$-

(10) Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$36,046	$31,478
Post-employment benefits	604	634
Termination benefits	364	-
Other long-term benefits	775	754
Share-based payment	43,994	-
Total	$81,783	$32,866

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

	Carrying amount		
Items	December 31, 2019	December 31, 2018	Secured liabilities
Other financial assets, current-demand deposits	$-	14,726	Short - term borrowings
Other financial assets current-time deposits	-	25,137	Short - term borrowings
Other financial assets current-demand deposits	21	3,778	Current portion of long-term borrowings
Other financial assets, noncurrent-demand deposits	30,000	23,000	Long - term borrowings
Total	$30,021	$66,641	

9. Commitments and contingencies

None.

10. Loss due to major disasters

None.

11. Significant subsequent events

On March 5, 2020, the company's board of directors decided to issue ordinary shares to increase its capital through private placement. The total number of issuance is no more than 10 million shares, and the per value of each share is NT$10.

The actual fundraising situation shall be issued three times within one year from the date of resolution of this private placement by the shareholders' meeting of the company.

The board of directors will propose the private placement in the shareholders meeting and request the authority to process the private placement in three stages based on the actual funding within one year from the date of the resolution.

12. Others

(1) Categories of financial instruments

Financial assets	As of December 31,	
	2019	2018
Financial assets at fair value through other comprehensive income	$55,992	$189,506
Financial assets measured at amortized cost (Note 1)	326,286	380,686
Total	$382,278	$570,192

Financial liabilities	As of December 31,	
	2019	2018
Financial liabilities at amortized cost:		
Short-term borrowings	$-	$62,425
Accounts payable	199,141	156,717
Long-term borrowings (including current portion)	107,742	84,602
Lease liabilities	37,889	(Note 2)
Guarantee deposits received (in other current liabilities	-	47,605
Total	$344,772	$351,349

Note:

1) Including cash and cash equivalents (except for cash on hand), notes receivable, other notes receivables-related parties, accounts receivable, accounts receivable-related parties, other receivables, other receivables-related parties, other financial assets, current, refundable deposits , and other financial assets, noncurrent.
2) The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in acutance with the transition provision in IFRS 16.

(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, 2019 and 2018 is decreased/increased by NT$196 thousand and NT$75 thousand, respectively.

(B) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2019 and 2018 is decreased/ increased by NT$1,921 thousand and NT$1,528 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 2018). 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 2019 and 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$2,007 thousand and NT$4,199 on the equity attributable to the Group for the years ended December 31, 2019 and 2018, respectively.

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, 2019, and December 31, 2018, accounts receivable and contract assets from top ten customers represent 42.69% and 78.92% 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. 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, 2019					
Short-term borrowings (including estimated interest)	$-	$-	$-	$-	$-
Accounts payable (including other payables)	199,141	-	-	-	199,141
Long-term borrowings (including estimated interest)	51,485	58,687	-	-	110,172
Lease liabilities (Note)	28,673	12,588	-	-	41,261
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

Note: Including cash flows resulted from short-term leases or leases of low-value assets.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Guarantee deposits received (recognized in other current liabilities)	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 31, 2019	$62,425	$47,605	$84,602	$75,115	$269,747
Cash flows	30,706	502,558	23,140	(29,359)	527,045
Disposal of subsidiaries	(93,131)	(550,163)	-	(10,174)	(653,468)
Non-cash changes	-	-	-	2,307	2,307
As of December 31, 2019	$-	$-	$107,742	$37,889	$145,631

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

(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, refundable deposits, 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, 2019

	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	$5,351	$14,718	$35,923	$55,992

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

Transfers between Level 1 and Level 2 during the period

During the years ending December 31, 2019 and 2018, 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, 2019	$147,520
Total gains and losses recognized for the year ended December 31, 2019	
Amount recognized in OCI (presented in "Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	(111,597)
Ending balances as of December 31, 2019	$35,923

	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, 2019

	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$3,592 thousand

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, 2019		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$1,854	29.99	$55,597
RMB	53,781	4.31	231,800
Financial liabilities			
Monetary items:			
USD	1,202	29.98	36,037
RMB	9,200	4.31	39,652

	December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$244	30.80	$7,516
NTD	34,170	4.47	152,808

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, 2019 and 2018, foreign exchange losses were NT$8,788 thousand and NT$1,231 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.

The main operating segments of the Group in Mainland China are SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. and SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD., and the group has lost direct or indirect control of the two companies on June 3, 2019. Please refer to Note 6 (24) for details on the loss of control of the subsidiary. Therefore, from the date of losing the control of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD., the Group's operating segments only include operating department and research and development and licensing segment in Taiwan.

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, 2019				
	Taiwan		China		
Revenue	Operating Department	Research and development and licensing segment	Research and development and licensing segment	Adjustment and elimination	Total
External customer	$172,180	$323,590	$70,048	$-	$565,818
Inter-segment	12,186	54,209	83,652	(150,047)	-
Total revenue	$184,366	$377,799	$153,700	$(150,047)	$565,818
Segment (loss) profit	$32,054	$(306,150)	$56,516	$-	$(217,580)

(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

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, 2019 and 2018:

Operating segment assets

	Taiwan	Mainland China	Reportable operating segments	Adjustment and elimination	Consolidated
December 31, 2019	$1,238,941	(Note)	$1,238,941	$-	$1,238,941
December 31, 2018	$850,902	$375,728	$1,226,630	$(143,471)	$1,083,159

Operating segment liabilities

	Taiwan	Mainland China	Reportable operating segments	Adjustment and elimination	Consolidated
December 31, 2019	$434,001	(Note)	$434,001	$-	$434,001
December 31, 2018	$336,806	$315,527	$652,333	$(55,660)	$596,673

Note: After losing control of its subsidiaries, the Group's operating segments only have operating department and research and research and licensing segment in Taiwan.

Other reconciliations of reportable segments

	For the years ended December 31, 2019	2018
Total profit or loss for reportable segments	$(217,580)	$146,456
Other profit or loss	553,447	(7,894)
Profit before tax from continuing operations	$335,867	$138,562

(3) Geographical information

Revenue from external customers:

	For the years ended December 31, 2019	2018
Taiwan	$83,673	$142,658
Mainland China	333,892	713,080
Other	148,253	-
Total	$565,818	$855,738

The revenue information above is based on the location of the customer.

Non-current assets:

	As of December 31,	
	2019	2018
Taiwan	$194,534	$335,123
Mainland China	625,708	145,176
Total	$820,242	$480,299

(4) Information about major customers

	For the years ended December 31,	
	2019	2018
Customer A	$76,592	$48,162
Customer B	73,245	-
Customer C	55,197	83,134
Customer D	44,054	-
Customer E	43,969	-

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

ATTACHMENT 1: Financing provided to others for the year ended December 31, 2019

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 4 and 7)	Limit of total financing amount (Note 4 and 7)	Note
													Item	Value			
1	SOFTSTAR INTERNATIONAL INC.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Other receivables-related parties	Y	19,487		-	1.75%	2	-	Operating	-	None	-	59,960	89,940	Note8
1	SOFTSTAR INTERNATIONAL INC.	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Other receivables-related parties	Y	29,980		-	1.75%	2	-	Operating	-	None	-	59,960	89,940	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.
Individual financial amount not exceed the transaction amount between the lender and the counterparty for companies with transactions.
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 30% of the company's net value.

Note 4: It is converted according to the exchange rate on the balance sheet date of December 31, 2019.

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 International Inc. may provide financing up to any of the following companies : (a) a company in which the Company directly or indirectly held 100% of its shares or (b)companies that the Group transact with. The individual financing amount to any of the aforementioned companies shall not exceed USD$2,000 thousand and the total financing amount shall not exceed USD$3,000 thousand.

Note 8: The financing amount authorized to Softstar Technology (Shanghai) Co., Ltd. has never been used during the authorized period and expired on March 31, 2019.

Note 9: The financing amount used by Softstar Technology (Beijing) Co., Ltd. was fully collected in July 2019, and on August 13, 2019, the Board of Directors passed the resolution to withdraw the financing amount to Softstar Technology (Beijing) Co., Ltd.

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

ATTACHMENT 2: Endorsement/Guarantee provided to others for the year ended December 31, 2019

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, 8 and 9)	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.	1	$804,897	$213,780	$-	$-	$-	-%	$804,897	N	N	Y
0	SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	1	804,897	54,000	-	-	-	-	804,897	N	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" 。

Note 8: The endorsements and guarantees to Softstar Technology (Shanghai) Co., Ltd. was not used within the authorized period.

Note 9: On August 13, 2019, the Board of Directors passed the resolution to withdraw the endorsements and guarantees to Softstar Technology (Beijing) Co., Ltd.

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

ATTACHMENT 3: Securities held as of December 31, 2019

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, 2019				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, non-current	2,696	$27,822	19.48%	$27,822	N
SOFTSTAR ENTERTAINMENT INC.	Stock	TAIWAN SMART CARD CO.	-	Financial assets at fair value through other comprehensive income, non-current	2,552	3,848	15.95%	3,848	N
SOFTSTAR ENTERTAINMENT INC.	Stock	DOUBLE EDGE ENTERTAINMENT CORP.	-	Financial assets at fair value through other comprehensive income, non-current	479	4,253	17.43%	4,253	N
SOFTSTAR ENTERTAINMENT INC.	Stock	FUNFIA INC.	Other related party	Financial assets at fair value through other comprehensive income, non-current	600	-	11.51%	-	N
SOFTSTAR ENTERTAINMENT INC.	Emerging stock	SNSPLUS, INC.	-	Financial assets at fair value through other comprehensive income, non-current	1,331	5,351	2.34%	5,351	N
Kobe Co., Ltd.	Listed stock	NEWRETAIL CO., LTD.	Other related party	Financial assets at fair value through other comprehensive income, non-current	5,001	14,718	4.24%	14,718	N
						$55,992			

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	$53,847	Negotiated by both parties	9.52%
0	SOFTSTAR ENTERTAINMENT INC.	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	1	Accounts Receivable	28,728	Negotiated by both parties	2.32%

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, 2019			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	$163,387	$200,899	5,059	100%	$632,029	$600,452	$600,452	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Taiwan	Software wholesale and information software services	95,000	95,000	2,850	100%	2,724	10,756	10,756	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Softstar Agency Co., Ltd.	Taiwan	Performing arts	10,000	10,000	-	100%	(2,540)	(2,027)	(2,027)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Marsware Entertainment Inc.	Taiwan	Network software development and technical services	30,000	30,000	3,000	100%	(3,002)	2	2	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Fairy Palm Inc.	Taiwan	Software publishing and information software services	-	102	-	51%	-	(89)	1	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR CREATIVE INC.	Taiwan	Network software development and technical services	47,000	47,000	4,700	100%	1,716	(113)	(113)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Kobe Co., Ltd.	Taiwan	General investment	98,792	98,792	-	100%	15,072	(65)	(65)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Gamebase Digital Media Corporation	Taiwan	Software publishing and information software services	50,000	25,000	5,100	92.73%	3,266	(24,799)	(22,622)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	A.R.T. Games Co., Ltd.	Taiwan	Network software development and technical services	12,250	12,250	1,225	49%	2,906	(5,906)	(2,937)	Investments accounted for using the equity method
SOFTSTAR ENTERTAINMENT INC.	Chia-e International Inc.	Taiwan	Investment holding	20,000	20,000	814	28.21%	-	(5,006)	(1,303)	Investments accounted for using the equity method
SOFTSTAR INTERNATIONAL INC.	MAURITIUS WEBSTAR INC.	Mauritius	Investment holding	47,302	47,302	158	100%	11	(564)	(564)	Second-tier subsidiary
SOFTSTAR INTERNATIONAL INC.	SOFTSTAR GLOBAL INC.	Mauritius	Investment holding	162,277	162,277	5,327	100%	(7,043)	(753)	(753)	Second-tier subsidiary
SOFTSTAR INTERNATIONAL INC.	SOFTSTAR ANIMATION LIMITED	Samoa	Investment holding	29,888	51,829	980	100%	6,260	(6,170)	(6,170)	Second-tier subsidiary
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Perfecten Corporation	Taiwan	Network software development and technical services	50,000	50,000	5,000	100%	2,616	152	152	Second-tier subsidiary

Note 1: If the listed company set up the overseas investment company and consolidated financial statements are 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, 2019" 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.

(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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (loss) of investee Company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as of December 31, 2019	Accumulated inward remittance of earnings as of December 31, 2019	Note (Note 2(2))
					Outflow	Inflow							
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Information processing service	$32,856	2	$32,856	$-	$-	$32,856	$87,998	49%	$51,834	$625,708	$-	B
SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Information processing service	134,694	2	22,294	-	-	22,294	(160,577)	49%	(96,292)	(114,715)	-	B
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	Development of computer hardware and network technology	31,846	2	31,846	-	-	31,846	(259)	100%	(259)	(7,043)	-	B
JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD.	Network software development and technical services	65,263	2	65,263	-	-	65,263	-	100%	-	-	-	B(Note 4)

2. Investment quota for Mainland China:

Accumulated investment in Mainland China as of December 31, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment in accordance with Ministry of Economic Affairs regulations (Note 5)
$152,259	$285,526	$482,964

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: JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD. has completed cancellation of registration on March 26, 2019.

Note 5: The upper limit of investment amount in Mainland China is the higher of 60% of the net value or 60% of consolidated net value.

V. Parent Company Only Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

English Translation of a Report Originally Issued in Chinese

Auditor Report of Independent Auditors

To SOFTSTAR ENTERTAINMENT INC.

Opinion

We have audited the accompanying parent company only balance sheets of SOFTSTAR ENTERTAINMENT INC. (the "Company") as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on these matters.

Revenue Recognition —Royalties

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

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

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

6. Obtaining the license agreements, identifying performance obligations, defining the transaction prices, and determining whether revenues are recognized over time or at a point in time;

7. Obtaining the details of recognition of royalties and confirming whether the performance obligations of the license agreement have been fulfilled; obtaining the details of royalty revenue allocation of games development and confirming the correctness of the development period and revenue allocation stated in the license agreements;

8. Review the reasonableness of the estimated allocation periods and the correctness of the calculation of royalty revenues allocation provided by the Company.

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

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

The Company recognized NT$10,756 thousand, which represents 3.30% of the Company's total profit for the year ended December 31, 2019 in share of gain of associates and joint ventures accounted for using equity method from subsidiary LOFTSTAR INTERACTIVE ENTERTAINMENT INC.. The aforementioned amount is material to the Company's financial statements, therefore we consider LOFTSTAR INTERACTIVE ENTERTAINMENT INC.'s virtual items revenue as a key audit matter.
LOFTSTAR INTERACTIVE ENTERTAINMENT INC. has revenue received from online gamers who purchase game points to recharge game credits and subsequently use the credits to buy virtual items. The purchase of game points and recharge of game credits are recorded in a computer server

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

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

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

5. Obtaining the game credit consumption data and revenue calculation sheets for each game, confirming the correctness of the calculations, obtaining the recharge records, the game credit consumption records, and the downloaded revenue reports for each platform, and vouching to the calculation sheets of LOFTSTAR INTERACTIVE ENTERTAINMENT INC.'s accounts.

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

We also considered the appropriateness of the business combination disclosure, please refer to Note 5 and 6 of the consolidated financial statements.

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

The Company recognized NT$600,452 thousand, which represents 184.17% of the Company's total profit for the year ended December 31, 2019 in share of gain of associates and joint ventures accounted for using equity method from subsidiary Softstar International Inc. The aforementioned amount is material to the Company's financial statements, therefore we consider Softstar International Inc.'s losing control of a subsidiary as a key audit matter.
On April 25th, 2018, the Board of the Directors approved the capital injection plan of its subsidiary, SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING). SOFTSTAR BEIJING was seeking to increase its capital in order to introduce long-term partners. All of the shares were subscribed by CMGE TECHNOLOGY GROUP LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Group. The total amount of capital injection was RMB$213,000 thousand. After the capital injection, CMGE hold 51% of total

shares in SOFTSTAR BEIJING. The Company hold 49% of total shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC. On June 3rd, 2019, the Company lost its control of SOFTSTAR BEIJING and recognized the disposal gain NTD641,552 thousand. As the transaction amount was significant and the remaining 49% shares in SOFTSTAR BEIJING involved significant estimate of the purchase price allocation. Therefore, we consider this as a key audit matter.

Our audit procedures included, but were not limited to:

5. Obtaining the stock purchase agreement, the Board of Directors' meeting minutes, and the accounting entry and its voucher to validate the reasonableness;

6. Assessing the reasonableness of the timing when the Company lost its control of the subsidiary and reviewing the ending balance of SOFTSTAR BEIJING on that day;

7. Assessing the prospective financial information utilized in the purchase price allocation report and comparing the prospective financial information with the Company's historical financial information and the industry's expectation to validate the reasonableness;

8. Obtaining the third-party appraisal's purchase price allocation report of SOFTSTAR BEIJING, engaging internal valuation expert to assist us in assessing the reasonableness of the method, model, parameter and assumptions used in the report, and recalculating the purchase price allocation amount to validate its reasonableness.

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

Emphasis of Matter – Applying for New Accounting Standards

We draw attention to Note 3 of the financial statements, which describes the Company applied for the International Financial Reporting Standard 16, "Lease" starting from January 1, 2019, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

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

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

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

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

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

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

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

7. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
8. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

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

10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in

our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yu, Chien-Ju
Yang, Chih-Huei

Ernst & Young, Taiwan
March 5, 2020

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of December 31, 2019	As of December 31, 2018
Current assets			
Cash and cash equivalents	4 and 6	$114,752	$119,960
Contract assets, current	4 and 6	72,418	37,640
Accounts receivable, net	4 and 6	99,065	69,067
Accounts receivable-related parties, net	4, 6 and 7	28,740	15,701
Other receivables	4	-	183
Other receivables-related parties	7	9,572	11,311
Current income tax assets		4,149	1,313
Prepayment	6 and 7	46,246	73,156
Other financial assets, current	8	21	43,641
Total current assets		374,963	371,972
Non-current assets			
Financial assets at fair value through other comprehensive income, non-current	4 and 6	41,274	153,004
Investments accounted for using the equity method	4 and 6	657,713	118,335
Contract assets, non-current	4 and 6	3,999	65,231
Property, plant and equipment	4 and 6	10,396	14,271
Right-of-use assets	4 and 6	30,348	-
Intangible assets	4 and 6	10,230	6,302
Deferred tax assets	4 and 6	33,969	4,081
Refundable deposits		5,651	5,651
Prepayment for investments		1,296	-
Other financial assets, non-current	4 and 8	30,000	23,000
Total non-current assets		824,876	389,875
Total assets		$1,199,839	$761,847

Liabilities and Equity	Notes	As of December 31, 2019	As of December 31, 2018
Current liabilities			
Short-term borrowings	6	$-	$30,000
Contract liabilities, current	4 and 6	24,805	13,975
Accounts payable		82,875	58,009
Accounts payable-related parties	7	43,564	1,421
Other payables	6	61,846	38,981
Other payables-related parties	7	-	2,849
Current income tax liabilities	4 and 6	17,549	11,184
Lease liabilities, current	4, 6 and 7	20,496	-
Current portion of long-term borrowings	4, 6 and 8	50,350	36,881
Other current liabilities		1,330	1,075
Total current liabilities		302,815	194,375
Non-current liabilities			
Long-term borrowings	4, 6 and 8	57,392	47,721
Deferred tax liabilities	4 and 6	1,377	604
Lease liabilities, non-current	4 and 6	9,832	-
Net defined benefit liabilities	4 and 6	20,986	21,228
Other noncurrent liabilities	4 and 6	2,540	11,549
Total non-current liabilities		92,127	81,102
Total liabilities		394,942	275,477
Equity			
Common stock	4 and 6	492,945	477,945
Additional paid-in capital	4 and 6	162,992	179,197
Retained earnings	4 and 6		
Legal reserve		14,582	1,925
Special reserve		129,557	15,648
Unappropriated earnings		325,404	126,566
Other components of equity		(320,583)	(314,911)
Total equity		804,897	486,370
Total liabilities and equity		$1,199,839	$761,847

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2019 and 2018

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

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

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

			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	Total
Balance as of January 1, 2018	$478,313	$25,174	$101	$-	$17,472	$(7,441)	$-	$(22,226)	$111	$491,504
Effect of retrospective application and retrospective restatement	-	-	-	-	41,328	-	(61,448)	22,226	-	2,106
Balance as of January 1, 2018 after adjustments	478,313	25,174	101	-	58,800	(7,441)	(61,448)	-	111	493,610
Appropriation and distribution of 2017 retained earnings										
Legal reserve	-	-	1,824	-	(1,824)	-	-	-	-	-
Special reserve	-	-	-	15,648	(15,648)	-	-	-	-	-
Net income in 2018	-	-	-	-	87,823	-	-	-	-	87,823
Other comprehensive loss in 2018	-	-	-	-	(2,585)	(433)	(88,089)	-	-	(91,107)
Total comprehensive income (loss)	-	-	-	-	85,238	(433)	(88,089)	-	-	(3,284)
Changes in ownership interests in subsidiaries	-	(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
Balance as of January 1, 2019	$477,945	$179,197	$1,925	$15,648	$126,566	$(7,874)	$(149,537)	$-	$(157,500)	$486,370
Appropriation and distribution of 2018 retained earnings										
Legal reserve	-	-	12,657	-	(12,657)	-	-	-	-	-
Special reserve	-	-	-	113,909	(113,909)	-	-	-	-	-
Net income in 2019	-	-	-	-	326,039	-	-	-	-	326,039
Other comprehensive income (loss) in 2019	-	-	-	-	328	9,154	(133,514)	-	-	(124,032)
Total comprehensive income (loss)	-	-	-	-	326,367	9,154	(133,514)	-	-	202,007
Changes in ownership interests in subsidiaries	-	(1,205)	-	-	(963)	-	-	-	-	(2,168)
Share-based payment transactions	15,000	(15,000)	-	-	-	-	-	-	118,688	118,688
Balance as of December 31, 2019	$492,945	$162,992	$14,582	$129,557	$325,404	$1,280	$(283,051)	$-	$(38,812)	$804,897

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Description	For the Years Ended December 31, 2019	2018
Cash flows from operating activities:		
Net income before tax	$320,003	$123,815
Adjustments for:		
Depreciation	24,962	4,732
Amortization	8,518	9,976
Expected credit losses	61,000	9,881
Interest expense	4,212	1,383
Interest income	(963)	(407)
Dividend income	-	(1,131)
Share-based payments expense	118,688	(2,629)
Share of net loss of associates and joint ventures accounted for using equity method	(582,144)	74,842
Gain disposal of property, plant and equipment	(56)	(41)
Gain on disposal of investment	(18)	-
Impairment loss from non-financial assets	9,426	-
Changes in operating assets and liabilities:		
Contract assets	14,226	(91,143)
Accounts receivable, net	(78,770)	(16,008)
Accounts receivable-related parties, net	(13,039)	8,669
Other receivables	183	(126)
Other receivables-related parties	(1,263)	(1,958)
Prepayment	30,537	(9,757)
Contract liabilities	10,830	(70,323)
Accounts payable	24,866	12,581
Accounts payable-related parties	42,143	(160)
Other payables	23,713	8,824
Other payables-related parties	(2,849)	2,849
Other current liabilities	255	(619)
Net defined benefit liabilities	86	57
Cash provided by operations	14,546	63,307
Interest received	963	349
Dividend received	-	1,131
Interest paid	(4,175)	(1,369)
Income tax paid	(23,177)	(27,913)
Net cash (used in)/provided by operating activities	(11,843)	35,505
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income financial Assets capital reduction and return of stock	-	14,380
Acquisition of investments accounted for using equity method	(25,000)	(60,766)
Increase in prepayments for investments	(1,296)	-
Investements accounted for using the equity method capital reduction and return of stock	37,553	-
Acquisition of property, plant and equipment	(1,080)	(2,537)
Proceeds from disposal of property, plant and equipment	72	246
Acquisition of intangible assets	(12,446)	(2,307)
Other financial assets	36,620	(43,869)
Net cash provided by/(used in) investing activities	34,423	(94,853)
Cash flows from financing activities:		
Increase in short-term borrowings	65,000	30,000
Decrease in short-term borrowings	(95,000)	-
Proceeds from long-term borrowings	80,000	50,000
Repayment of long-term borrowings	(56,860)	(28,086)
Repayment of the principal portion of lease liabilities	(20,928)	-
Net cash (used in)/provided by financing activities	(27,788)	51,914
Net decrease in cash and cash equivalents	(5,208)	(7,434)
Cash and cash equivalents at beginning of year	119,960	127,394
Cash and cash equivalents at end of year	$114,752	$119,960

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

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. On August 8, 2001, the Company listed its shares of stock on the Taipei Stock Exchange (TPEX). 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, 2019 and 2018 were authorized for issue by the Board of Directors on March 5, 2020.

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, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

(A) *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 Company followed the transition provision in IFRS 16 and the date of initial application was 1 January 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

(a) Please refer to Note 4 for the accounting policies before or after 1 January 2019.

(b) For the definition of a lease, the Company elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Company was 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. That is, for contracts entered into (or changed) on or after 1 January 2019, the Company need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and has no significant impact arised.

(c) The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognized 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.

i. Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019, and; the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at either:

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 1 January 2019.

On 1 January 2019, the Company's right-of-use asset and lease liability increased by NT$50,371 thousand and NT$50,371 thousand, respectively.

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

(vi) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

(vii) Rely on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review.

(viii) Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of 1 January 2019.

(ix) Exclude initial direct costs from the measurement of the right-of-use asset on 1 January 2019.

(x) Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

ii. Please refer to Note 4 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

iii. As at 1 January 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

(iii) The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 2.24%.

(iv) The explanation for the difference of NT$368 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019; and 2) lease liabilities recognized in the balance sheet as at 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at 31 December 2018	$54,674
Discounted using the incremental borrowing rate on 1 January 2019	$50,739
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(368)
Less: adjustment to leases that meet and elect the underlying asset of low value	
The carrying value of lease liabilities recognized as at 1 January 2019	$50,371

(d) The Company is a lessor and has not made any adjustments. Please refer to Note 4 and Note 6 for the information relating to the lessor.

(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)	Definition of a Business (Amendments to IFRS 3)	1 January 2020
(B)	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020
(C)	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020

(A) 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.

(B) 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.

(C) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(e) highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(f) prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(g) IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(h) separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2020. As the Company determined the potential impact of the standards and interpretations, it has no material impact on the Company.

(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 "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"	1 January 2021
(C)	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2022

(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 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) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

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, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations).

(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* 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 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 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, other financial assets, current, refundable deposits and other financial assets, non-current 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.

(B) Impairment of financial assets

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.
(d) For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), 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.

(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*.

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 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 liabilities or financial assets and financial liabilities 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.

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. 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
Right-of-use assets	1~2 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

The accounting policy from 1 January 2019 as follow:

For contracts entered on or after 1 January 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(A) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(B) the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. 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.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(A) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(B) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(C) amounts expected to be payable by the lessee under residual value guarantees;
(D) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(E) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(A) the amount of the initial measurement of the lease liability;
(B) any lease payments made at or before the commencement date, less any lease incentives received;
(C) any initial direct costs incurred by the lessee; and
(D) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before 1 January 2019 as follow:

Company as a lessee

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

(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 (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.

(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 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 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 fulfilled the performance obligation but does not have a right to an unconditional consideration, 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, when part of the consideration was received from customers upon signing the contract, and the Company owns the obligation to provide the services subsequently, these contracts should be recognized as contract liabilities.

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

The Company usually fulfills its obligation and reclasses the contract liabilities to revenue within an year, thus, no significant financing component arose.

(C) The Company provides services related to the operation of online games. When the players recharge their game credits, they can subsequently use the credits to buy virtual items in the game. The Company recognizes the proceeds received from the sales of game points as contract liabilities. Revenue is recognized in accordance with the estimated lifetime of the virtual items after players recharge their game credits and subsequently use the credits to by virtual items.

The Company usually fulfills its obligation and reclasses the contract liabilities to revenue within an year, thus, no significant financing component arose.

Costs to fulfill 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.

(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 requires the 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 arising from these assumptions and estimates could result in material adjustments to the carrying amount of the assets or liabilities in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. Revenue recognition – royalties

In accordance with IRFS 15, the Company identifies performance obligations and determine whether the licensing 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.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These estimates and assumptions are discussed below.

A. Estimate of variable consideration

With the Company's business practices, the Company 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 when the uncertainty associated with the contracts are eliminated.

B. Accounts receivables–estimate of impairment loss

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 (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.

C. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (i.e. the discounted cash flows model) or market approach. Changes in assumptions used in the valuation model could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

D. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2019	2018
Cash on hand & petty cash	$235	$265
Checking and saving accounts	114,517	119,695
Total	$114,752	$119,960

(2) Accounts receivable and Accounts receivable-related parties

	As of December 31,	
	2019	2018
Accounts receivable	$142,920	$69,777
Less: loss allowance	(43,855)	(710)
Subtotal	99,065	69,067
Accounts receivable from related parties	28,740	15,701
Less: loss allowance	-	-
Subtotal	28,740	15,701
Total	$127,805	$84,768

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of December 31, 2019 and 2018 are NT$171,660 thousand and NT$85,478 thousand, respectively. Please refer to Note 6 (15) for more details on loss allowance of accounts receivable for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(3) Prepayment

	As of December 31,	
	2019	2018
Prepaid outsourcing expense	$41,391	$70,903
Other prepayments	4,855	2,253
Total	$46,246	$73,156

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

	As of December 31,	
	2019	2018
Equity instrument investments measured at fair value through other comprehensive income, noncurrent:		
Emerging stock		
SNSPLUS, INC.	$5,351	$5,484
Private company stocks		
AUER MEDIA & ENTERTAINMENT CORP.	27,822	137,247
TAIWAN SMART CARD CO.	3,848	5,480
DOUBLE EDGE ENTERTAINMENT CORP. (Note1)	4,253	4,793
FUNFIA INC.	-	-
Total	$41,274	$153,004

Note 1: On April 25, 2018 the board of directors of DOUBLE EDGE ENTERTAINMENT CORP. resolved a capital reduction through cash repayment. The Company received cash repayment of NT$14,380 thousand.

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

(5) 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,			
	2019		2018	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
SOFTSTAR INTERNATIONAL INC.	$632,029	100%	$59,935	100%
Kobe Co., Ltd.	15,072	100%	36,921	100%
Gamebase Digital Media Corporation	3,266	92.73%	3,056	86.67%
LOFTSTAR INTERACTIVE ENTERTAIMENT INC.	2,724	100%	-	100%
SOFTSTAR CREATIVE INC.	1,716	100%	1,829	100%
Fairy Palm Inc.	-	-	66	51%
Subtotal	654,807		101,807	
Investments in associates:				
Chia-e International Inc.	-	28.21%	10,729	28.21%
A.R.T. Games Co., Ltd.	2,906	49%	5,799	49%
Total	$657,713		$118,335	

Investments accounted for using the equity method presented under other noncurrent liabilities are as follows:

	As of December 31,			
	2019		2018	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in subsidiaries:				
Softstar Agency Co., Ltd.	$(2,540)	100%	(512)	100%
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	-	-	$(8,032)	100%
Marsware Entertainment Inc.	-	-	(3,005)	100%
Total	$(2,540)		$(11,549)	

(A) 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 its capital by NT$10,000 thousand in cash. The capital increase represents 1,000 thousand shares, all of which were subscribed by the Company. After the capital increase, the Company owns 86.67% of Gamebase Digital Media Corporation's shares. Gamebase Digital Media Corporation increased its capital by NT$5,000 thousand, NT$5,000 thousand, NT$10,000 thousand and NT$5,000 thousand in Jaunary, March, May and October 2019, respectively, totalling NT$25,000 thousand and 2,500 thousand shares. The new shares were subscribed by the Company and the registration process is completed. After the capital increase, the Company owns 92.73% of Gamebase Digital Media Corporation's shares.

(B) WECOOL GAME CO., LTD. changed its name to SOFTSTAR CREATIVE INC. in 2018.

(C) FAIRY PALM INC. was dissolved in March 2019 and returned the share capital on December 26, 2019.

(D) MARSWARE ENTERTAINMENT INC. was dissolved in November 2018, and is still in the liquidation process.

(E) The subsidiaries are recognized under "Investment accounted for using the equity method" in the individual financial reports, and the necessary evaluation adjustments are made.

(F) No investments accounted for using the equity method were pledged.

(G) Investment in associates

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$2,906 thousand as of December 31, 2019. The aggregate financial information of the Company's investments in Chia-e International Inc. and A.R.T. Games Co., Ltd. are as follows:

	For the years ended December, 31	
	2019	2018
Profit or loss from continuing operations	$(10,912)	$(18,677)
Other comprehensive income (net of tax)	-	-
Total comprehensive loss	$(10,912)	$(18,677)

The Company recognized the investment income(loss) based on the financial information of the investees recognized in investments accounted for under the equity method. Such financial information are as follow:

	Loss on investment	
	For the years ended December 31	
	2019	2018
Chia-e International Inc.	$(1,303)	$(2,623)
A.R.T. Games Co., Ltd.	(2,937)	(4,595)
Total	$(4,240)	$(7,218)

The aforementioned associates had no contingent liabilities or capital commitments as at December 31, 2019. No investments accounted for using the equity method were pledged.

(6) Property, plant and equipment

	As of December 31,	
	2019	2018(Note)
Owner occupied property, plant and equipment	$10,396	

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(C) Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Machinery and equipment	Office equipment	Leasehold improvements	Total
Cost:				
As of January 1, 2019	$9,537	$7,522	$13,778	$30,837
Additions	761	205	114	1,080
Disposals	(155)	(1,060)	-	(1,215)
Transfers	(207)	207	-	-
As of December 31, 2019	$9,936	$6,874	$13,892	$30,702
Depreciation and impairment:				
As of January 1, 2019	$5,404	$4,714	$6,448	$16,566
Depreciation	1,693	1,116	2,130	4,939
Disposals	(155)	(1,044)	-	(1,199)
Transfers	(492)	492	-	-
As of December 31, 2019	$6,450	$5,278	$8,578	$20,306
Net carrying amounts as of:				
December 31, 2019	$3,486	$1,596	$5,314	$10,396

(D) Property, plant and equipment lease out under operating lease (before IFRS 16 adoption)

	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
Depreciation and impairment:				
As of January 1, 2018	$4,407	$3,853	$4,468	$12,728
Depreciation	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
Net carrying amounts as of:				
December 31, 2018	$4,133	$2,808	$7,330	$14,271

Property, plant and equipment were not pledged.

(7) Intangible assets

	Trademarks	Copyright	Computer software	Total
Cost:				
As of January 1, 2019	$3,951	$-	$31,507	$35,458
Addition-acquired separately	-	5,429	7,017	12,446
Deduction-derecognized	-	-	(10,919)	(10,919)
As of December 31, 2019	$3,951	$5,429	$27,605	$36,985
As of January 1, 2018	$3,951	$-	$39,316	$43,267
Addition-acquired separately	-	-	2,307	2,307
Deduction-disposals	-	-	(10,116)	(10,116)
As of December 31, 2018	$3,951	$-	$31,507	$35,458
Amortization and impairment:				
As of January 1, 2019	$3,951	$-	$25,205	$29,156
Amortization	-	362	8,156	8,518
Deduction-derecognized	-	-	(10,919)	(10,919)
As of December 31, 2019	$3,951	$362	$22,442	$26,755
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
Net carrying amount as of:				
December 31, 2019	$-	$5,067	$5,163	$10,230
December 31, 2018	$-	$-	$6,302	$6,302

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

	For the years ended December, 31	
	2019	2018
Operating costs	$-	$-
Research and development expenses	$1,029	$2,244
General and administrative	$7,489	$7,732

(8) Short-term borrowings

	Interest Rate (%)	As of December 31, 2019	As of December 31, 2018
Unsecured bank loans	2.30%	$-	$30,000

The Company's unused short-term lines of credits amount to $95,000 thousand and $40,000 thousand as of December 31, 2019 and 2018, respectively.

(9) Other payables

	As of December 31, 2019	As of December 31, 2018
Salary payable	$39,815	$24,250
Professional service fees payable	3,447	2,067
Insurance payable	1,879	1,628
Other accrued expenses	16,705	11,036
Total	$61,846	$38,981

(10) Long-term borrowings

Details of long-term loans are as follows:

Lenders	As of December 31, 2019	Interest Rate (%)	Maturity date and terms of repayment
Taiwan Business Bank secured loan	$9,000	2.2%	Repayable quarterly from March 16, 2017 to March 16, 2022. Interest paid monthly.
Taiwan Business Bank secured loan	18,334	2.2%	Repayable monthly from October 23, 2018 to October 23, 2021. Interest paid monthly.
Bank of Kaohsiung secured loan	13,479	2.2%	Repayable monthly from December 19, 2018 to December 19, 2021. Interest paid monthly.
Taichung Commercial Bank secured loan	21,000	2.3%	Repaid NT2,000 thousand quarterly from April 1, 2019 to April 1, 2022. Interest paid monthly.
Bank of Panhsin secured loan	14,263	2.3%	Repayable monthly from May 29, 2019 to May 29, 2021. Interest paid monthly.
Hua Nan Bank secured loan	13,333	2.3%	Repayable monthly from August 5, 2019 to August 5, 2022. Interest paid monthly.
Chang Hwa Bank secured loan	18,333	2.26%	Repayable quarterly from September 20, 2019 to September 20, 2022. Interest paid monthly.
Subtotal	107,742		
Less: current portion	(50,350)		
Total	$57,392		

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

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

(11) Post-employment benefits

Defined contribution plan

The Company 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 will make monthly contributions of no less than 6% of the employee’s monthly wages to the employees’ individual pension accounts. The Company has 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, 2019 and 2018 are NT$5,282 thousand and NT$5,189 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 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$449 thousand to its defined benefit plan during the 12 months after December 31, 2019.

The average-weighted duration of the defined benefits plan obligation as at December 31, 2019 and 2018, are 12 years and 13 years.

Pension costs recognized in profit or loss for the years ended December 31, 2019 and 2018:

	For the years ended December 31,	
	2019	2018
Current period service costs	$376	$361
Interest income or expense	212	223
Total	$588	$584

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, 2019	December 31, 2018	January 1, 2018
Present value of the pension obligation under defined benefit pension plans	$37,189	$38,906	$36,312
Fair value of plan assets	(16,203)	(17,678)	(17,727)
Net defined benefit liabilities, noncurrent	$20,986	$21,228	$18,585

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

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability/ (assets)
As of January 1, 2018	$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
Current period service costs	376	-	376
Net interest expense (income)	389	(177)	212
Subtotal	765	(177)	588
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	1,289	-	1,289
Experience adjustments	(951)	(666)	(1,617)
Subtotal	338	(666)	(328)
Payments from the plan	(2,820)	2,820	-
Contributions by employer	-	(502)	(502)
As of December 31, 2019	$37,189	$(16,203)	$20,986

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

	As of December 31,	
	2019	2018
Discount rate	0.70%	1.00%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as of December 31, 2019 and 2018 is, as shown below:

	2019		2018	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	$-	$(1,078)	$-	$(1,191)
Discount rate decrease by 0.25%	1,118	-	1,237	-
Future salary increase by 0.25%	1,007	-	1,124	-
Future salary decrease by 0.25%	-	(978)	-	$(1,090)

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.

(12) Equities

(A) Common stock

The Company's authorized capital was NT$1,000,000 thousand and issued capital was NT$492,945 thousand and NT$477,945 thousand as of December 31, 2019 and 2018, 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 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, and was issued on January 5, 2019 as the based date for capital increase. The registration was completed.

For the years ended December 31, 2019 and 2018, the Company redeemed and cancelled 0 thousand shares and 37 thousand shares of issued restricted stocks for employees, respectively.

On June 10, 2019, 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 per 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.

(B) Capital surplus

	As of December,	
	2019	2018
Additional Paid-in Capital	$77,492	$20,492
Increase (decrease) through changes in ownership interests in subsidiaries	-	1,205
Restricted employee stock	85,500	157,500
Total	$162,992	$179,197

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 per 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.

(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 conservative principle. Paying stock dividend is preferred. If there is a surplus, it will be distributed to shareholders as cash dividends, but the ratio of cash dividend distribution is expected to be lower than 50% of the total dividend distribution.

According to the Company Act, the Company is required to set aside an amount from its earnings to legal reserve unless such legal reserve reaches 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 sets aside and reverses special reserves.

Details of the 2018 earnings distribution and dividends per share as approved by the shareholder's meeting on June 10, 2019 is as follows:

	Appropriation of earnings	Dividend per share (NTD)
	2018	2018
Legal reserve	$12,657	$-
Special reserve	113,909	-

Please refer to Note 6(19) for details on employees' compensation and remuneration to directors and supervisors.

(13) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations. The company grants the equity instruments to the employees in return for the services they provide. 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 contract 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: A portion of the restricted employee stock will be vested at the end of each year if the employee's performance reaches the target set by the company. The maximum share vested will be 40%, 30% and 30% in each of the three years.

For the year ended December 31, 2018, the Company redeemed and cancelled 37 thousand shares of issued restricted stocks for employees, without compensation in accordance with the issuance regulations. The capital reserve of NT$2,150 thousand that arose was also reversed. The aforementioned restricted employee stocks have been fully vested in 2018.

(B) The Company applied for an additional issuance of restricted employee stock in 2018 and issued on January 5, 2019 of NT$15,000 thousand, totaling 1,500 thousand shares, and the share price was NT$105 per share. 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, 2019	1,500,000	28 months	Achievement of performance conditions (Note 2)

Note 1: The restricted employee stock issued by the Company are not transferable during the contract 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: A portion of the restricted employee stock will be vested at the end of four months, sixteen months and twenty-eight months if the employee's performance reaches the target set by the company. The maximum share vested will be 40%, 30% and 30% in each of the three periods.

(C) The expenses recognized for employee services received for the years ended December 31, 2019 and 2018, are shown in the following table:

	For the years ended December 31,	
	2019	2018
Total expense arising from equity-settled share-based payment transactions	$118,688	$(2,629)

(14) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers		
Rendering of service	$377,307	$547,106

Analysis of revenue from contracts with customers during the year ended December 31, 2019 is as follows:

(A) Disaggregation of revenue

	For the years ended December 31,	
	2019	2018
Timing of revenue recognition:		
At a point in time	$81,751	$190,546
Over time	295,556	356,560
Total	$377,307	$547,106

(B) Contract balances

Net contract assets (liabilities) are as follows:

	Ending balance	Beginning balance	Difference	%
Contract assets, current	$72,418	$37,640	$34,778	92%
Contract assets, noncurrent	3,999	65,231	(61,232)	(94)%
Contract liabilities, current	(24,805)	(13,975)	(10,830)	77%
Net contract assets	$51,612	$88,896	$(37,284)	

Contract assets decreased by NT$26,454 thousand from December 31, 2018 to December 31, 2019, mainly due to a NT$56,242 thousand contract assets from film and television licensing in 2018 will be expired within one year, it is reclassified to contract assets, current. The remaining amount is reclassified to account receivables which has a right to an amount of consideration that is unconditional.

Contract liabilities increased by NT$10,830 thousand from December 31, 2018 to December 31, 2019 was mainly due to advance payment of mobile games contract received in 2019, which is expected to be recognized as revenue when the mobile games launch in the following years.

(C) Transaction price allocated to unsatisfied performance obligations

The Company's transaction price allocated to unsatisfied performance obligations amounted to NT$24,805 thousand as of December 31, 2019. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

The Company's transaction price allocated to unsatisfied performance obligations amounted to NT$13,975 thousand as of December 31, 2018. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue in 1 to 3 years.

(15) Expected credit losses/ (gains)

	For the years ended December 31,	
	2019	2018
Operating expenses – Expected credit losses/(gains)		
Contract assets	$12,228	$6,973
Accounts receivable	48,772	2,908
Total	$61,000	$9,881

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 of December 31, 2019 and 2018 are as follows:

(A) the gross carrying amount of contract assets are NT$76,417 thousand and NT$102,871 thousand as at December 31, 2019 and 2018, respectively. The loss allowance amounts to NT$0 where an expected credit loss ratio of 0% is used.

(B) the Company groups its trade receivables by counterparties' credit rating, geographical region and industry sector, and its loss allowance is measured by using a provision matrix. The details are as follow:

As of December 31, 2019

Group 1

	Not yet due	Overdue				
	(Note)	<=30 days	31-120 days	121-365 days	>=365 days	Total
Gross carrying amount	$70,514	$1,139	$1,103	$1,081	$-	$73,837
Loss ratio	-%	-%	-%	65.68%	-%	
Lifetime expected credit losses	-	-	-	(710)	-	(710)
Subtotal	$70,514	$1,139	$1,103	$371	$-	$73,127

Group 2

	Not yet due	Overdue				
	(Note)	<=30 days	31-120 days	121-365 days	>=365 days	Total
Gross carrying amount	$38,407	$-	$3,275	$19,975	$36,166	$97,823
Loss ratio	-%	-%	23.05%	31.16%	100%	
Lifetime expected credit losses	-	-	(755)	(6,224)	(36,166)	(43,145)
Subtotal	$38,407	$-	$2,520	$13,751	$-	$54,678
Total						$127,805

As of December 31, 2018

	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, 2019 is as follows:

	Contract Assets	Accounts Receivable
As of January 1, 2019	$-	$710
Addition/(reversal) for the current period	12,228	48,772
Write off	(12,228)	(5,627)
As of December 31, 2019	$-	$43,855
As of January 1, 2018 (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)
As of December 31, 2018	$-	$710

Please refer to Note 12 for further details on credit risk.

(16) Operating leases

A. Company as a lessee (applicable to the disclosure requirement under IFRS 16)

The Company leases various properties, including real estate (land and buildings), machinery and equipment, transportation equipment, office equipment and other equipment. The lease terms range from 1 to 2 years.

The Company's leases impact to the financial position, financial performance and cash flows are as follow:

(A) Amounts recognized in the balance sheet

(c) Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2019	2018 (Note)
Buildings	$30,348	

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(d) Lease liabilities

	As of December 31,	
	2019	2018 (Note)
Lease liabilities	$30,328	
Current	$20,496	
Non-current	$9,832	

Please refer to Note 6 (18)(C) for the interest on lease liabilities recognized during the year ended December 31, 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2019.

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(B) Amounts recognized in the statement of profit or loss

Depreciation expense of right-of-use assets

	For the year ended December 31,	
	2019	2018 (Note)
Buildings	$20,023	

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(C) Income and costs relating to leasing activities

	For the year ended December 31,	
	2019	2018 (Note)
The expenses relating to short-term leases	$470	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	171	

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(D) Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company’s total cash outflows for leases amounting to NT$21,569 thousand.

B. Operating lease commitments - Company as a lessee (applicable to the disclosure requirement in IAS 17)

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, 2019 and 2018 are as follows:

	As of December 31,	
	2019 (Note)	2018
Not later than one year		$22,340
Later than one year and not later than five years		32,334
Later than five years		-
Total		$54,674

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		$18,339

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(17) Summary statement of employee benefits, depreciation and amortization expense by function during the years ended December 31, 2019 and 2018:

	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating Costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$-	$235,818	$235,818	$-	$98,805	$98,805
Labor and health insurance	-	10,227	10,227	-	9,797	9,797
Pension	-	5,870	5,870	-	5,773	5,773
Directors' remuneration	-	4,889	4,889	-	3,067	3,067
Other employee benefits expense	-	6,736	6,736	-	6,974	6,974
Depreciation	-	24,962	24,962	-	4,732	4,732
Amortization	-	8,518	8,518	-	9,976	9,976

The number of employees for the Company as of December 31, 2019 and 2018 was 137 and

128, respectively, of which the number of directors were not concurrent employees was 6 and 6, respectively.

The Company's average employee benefit expenses for the years ended December 31, 2019 and 2018 were NT$1,974 thousand and NT$995 thousand, respectively.

The Company's average salary expenses for the years ended December 31, 2019 and 2018 were NT$1,800 thousand and NT$810 thousand, respectively. The Company's average salary expenses adjustment for the year ended December 31, 2019 increased by 122.22%.

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, 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2019 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, 2019 amount to NT$16,970 thousand and NT$3,394 thousand, respectively. On March 5, 2020, the Board of Directors meeting resolved to distribute NT$16,970 thousand and NT$3,394 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2019, respectively.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2018 amount to NT$6,580 thousand and NT$1,316 thousand, respectively, whereas the estimated amount accrued in the financial statements for the year ended 31 December 2018 were NT$6,484 and NT$1,297, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2018 are recognized in profit or loss of the subsequent year in 2019.

(18) Non-operating income and expenses

(A) Other income

	For the years ended December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$963	$407
Dividend income	-	1,131
Other income	4,500	2,106
Total	$5,463	$3,644

(B) Other gains and losses

	For the years ended December 31,	
	2019	2018
Losses on disposal of property, plant and equipment	$56	$41
Gains on disposal of investments	18	-
Foreign exchange losses, net	(2,925)	(2,295)
Impairment loss from non-financial assets	(9,426)	-
Other	(10)	-
Total	$(12,287)	$(2,254)

(C) Finance costs

	For the years ended December 31,	
	2019	2018
Interest on borrowings from bank	$3,327	$1,383
Interest on lease liabilities	885	-
Total	$4,212	$1,383

(19) Components of other comprehensive loss

For the year ended December 31, 2019:

	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	$328	$-	$328	$-	$328
Unrealized gains or losses from financial assets at fair value through other comprehensive loss	(111,730)	-	(111,730)	-	(111,730)
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	(21,784)	-	(21,784)	-	(21,784)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	9,154	-	9,154	-	9,154
Total of other comprehensive loss	$(124,032)	$-	$(124,032)	$-	$(124,032)

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)

(20) 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 increased from 17% to 20%. The corporate income surtax on undistributed retained earnings has decreased from 10% to 5%.

The major components of income tax expense for 2019 and 2018 are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31, 2019	For the years ended December 31, 2018
Current income tax expense:		
Current income tax charge	$23,079	$39,469
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(29,115)	(3,477)
Total income tax (income) expense	$(6,036)	$35,992

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Accounting profit before tax from continuing operations	$320,003	$123,815
Tax at the domestic rates applicable to profits in the country concerned	$64,001	$24,763
Tax effect of revenues exempt from taxation	5,531	(226)
Tax effect of non-deductible expenses from taxation	582	-
Tax effect of deferred tax assets/liabilities	(99,228)	(28,014)
Overseas withholding tax	23,078	39,469
Total income tax expense recognized in profit or loss	$(6,036)	$35,992

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Recognized in profit or loss	Ending balance as of December 31, 2019
Temporary differences			
Unrealized bad debt expense	$142	$8,285	$8,427
Unrealized foreign exchange losses	365	865	1,230
Unrealized foreign exchange gains	-	(707)	(707)
Unrealized margin in sales return	(11)	11	-
Defined benefit liability, non-current	3,574	17	3,591
Others	(593)	(77)	(670)
Unused tax losses	-	20,721	20,721
Deferred tax income/ (expense)		$29,115	
Net deferred tax assets/(liabilities)	$3,477		$32,592
Reflected in balance sheet as follows:			
Deferred tax assets	$4,081		$33,969
Deferred tax liabilities	$604		$1,377

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
Unrealized margin in sales return	-	(11)	(11)
Defined benefit liability, non-current	-	3,574	3,574
Others	-	(593)	(593)
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:

		Unused tax losses		
	Tax losses for	As of December 31,		
Year	the period	2019	2018	Expiration year
2014	$15,029	$1,544	$1,544	2024
2019	207,203	207,203	-	2029
		$208,747	$1,544	

Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets have not been recognized in respect of unused tax losses and deductible temporary differences amounting to NT$21,028 thousand and NT$58,089 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As at December 31, 2019, the income tax returns of the Company have been assessed and approved up to 2017.

(21) 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,	
	2019	2018
(A) Basic earnings per share		
Net income attributable to ordinary equity holders of the Company (in thousand NT$)	$326,039	$87,823
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	48,189	47,708
Basic earnings per share (NT$)	$6.77	$1.84

For the years ended

	December 31, 2019	December 31, 2018
(B) Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$326,039	$87,823
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	48,189	47,708
Effect of dilution:		
Restricted employee stock	647	10
Employee compensation-stock (in thousands)	186	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	49,022	47,718
Diluted earnings per share (NT$)	$6.65	$1.84

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 chairman of the Company is the chairman of this company
DOUBLE EDGE ENTERTAINMENT CORP.	The Company is the director of this company
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Subsidiary
Perfecten Corporation	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 MOBILE INFORMATION TECHNOLOGY	Second-tier subsidiary

Name of the related parties	Nature of relationship of the related parties
(SHANGHAI) CO., LTD.	
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (Note 1)	Associate
SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD. (Note 1)	Associate
A.R.T. Games Co., Ltd.	Associate
The Playground Investment Limited, Taiwan Branch (Note 2)	The key management personnel of the Company is the chairman of this company
Bakesi Wine Group Co., Ltd.	The chairman of the Company is the chairman of this company
Oriental Golden Richness LTD.	The chairman of the Company is the chairman of this company
TOKYO FASHION CO., LTD.	The chairman of the Company and the director of this company are second-degree relatives
NEWLOGISTICS CO., LTD.	The chairman of the Company and the director of this company are second-degree relatives
E-NET CO., LTD. (Note 3)	The chairman of the Company and the director of this company are second-degree relatives
NEWRETAIL CO., LTD.	The chairman of the Company and the key management personnel of this company are second-degree relatives
FUNFIA INC.	The key management personnel of the subsidiary of the Company is the chairman of this company

Note1: The Company lost control of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. on June 3, 2019, and recognized the remaining 49% of the shares of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. as investment accounted for using the equity method. SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. and its 100% owned subsidiary SOFTSAT TECHNOLOGY (SHANGHAI) CO., LTD. became the associates of the Company from the date of losing control.

Note2: Due to changes in shareholder structure, The Playground Investment Limited, Taiwan Branch was no longer a related party of the Company in February 2019.

Note3: NEWCROSS CO., LTD. changed its name to E-NET CO., LTD. in August 2019.

Significant transactions with the related parties

(1) Rendering of services

	For the years ended December 31,	
	2019	2018
Subsidiary		
LOFTSTAR INTERACTIVE ENTERAINMENT INC.	$53,847	$24,020
Others	-	25
Other related parties		
The Playground Investment Limited, Taiwan Branch	780	16,964
Others	11	-
Total	$54,638	$41,009

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,	
	2019	2018
Subsidiary		
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	$12,185	$5,388
Perfecten Corporation	-	1,553
Associate		
SOTSTAR TECHNOLOGY (BEIJING) CO., LTD.	73,120	-
SDFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	11,425	-
A.R.T. Games Co., Ltd.	-	4,286
Total	$96,730	$11,227

Operating costs relate to subsidiary database fees and royalty costs.

(3) Accounts receivable-related parties

	As of December 31,	
	2019	2018
Subsidiary		
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	$28,729	$10,540
Others	-	-
Other related parties	11	5,161
Total	$28,740	$15,701

(4) Other receivables-related parties

	As of December 31,	
	2019	2018
Subsidiary		
Marsware Entertainment Inc.	$4,531	$7,533
Softstar Agency Co., Ltd.	3,650	1,657
Others	1,071	1,940
Other related parties	320	181
Total	$9,572	$11,311

Other receivables-related parties relates to subsidiary assistance of daily operations.

(5) Prepayment-related parties

	As of December 31,	
	2019	2018
Associate		
A.R.T. Games Co., Ltd.	$1,905	$1,905
Other related parties		
FUNFIA INC.	-	2,022
Total	$1,905	$3,927

Prepayment-related parties relates to game outsourcing costs.

(6) Accounts payable-related parties

	As of December 31,	
	2019	2018
Subsidiary		
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	$7,145	$1,421
Associate		
SOTSTAR TECHNOLOGY (BEIJING) CO., LTD.	31,032	-
SDFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	5,387	-
Total	$43,564	$1,421

(7) Other payables-related parties

	As of December 31,	
	2019	2018
Associate		
SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	$-	$2,849

(8) Property transaction

The company purchases intangible assets-copyright from related parties, the amount is as follows:

	As of December 31,	
	2019	2018
Subsidiary		
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	$5,068	$-

(9) Other

Other transactions between the Company and subsidiaries are shown below:

	For the years ended December 31,	
Item	2019	2018
Other income	$1,151	$-
Rental income	134	-
Advertising fee	(17,756)	-
Depreciation	(362)	-
Service fee	-	(85,056)
Miscellaneous expenses	-	(177)
Total	$(16,833)	$(85,233)

Other transactions between the Company and associate are shown below:

Item	For the years ended December 31, 2019	2018
Service fee	$3,979	$-

Other transactions between the Company and other related parties are shown below:

Item	For the years ended December 31, 2019	2018
Rental income	$1,926	$-
Service fee	(5,709)	-
Communication fee	(156)	-
Miscellaneous expenses	-	(177)
Total	$(3,939)	$(177)

(10) Endorsements and guarantee

The Company provided endorsement and guarantee to subsidiaries on requirement, please refer to attachment 2 for details.

(11) Key management personnel compensation

	For the years ended December 31, 2019	2018
Short - term employee benefits	$29,052	$23,614
Post - employment benefits	604	634
Termination benefits	364	-
Share - based payment	43,994	-
Other long - term benefits	775	754
Total	$74,789	$25,002

8. Assets pledged as security

The following table lists assets of the Company pledged as security:

	Carrying amount		
Items	December 31, 2019	December 31, 2018	Secured liabilities
Other financial assets, current-demand deposits	$-	14,726	Short - term borrowings
Other financial assets current-time deposits	-	25,137	Short - term borrowings
Other financial assets current-demand deposits	21	3,778	Current portion of long-term borrowings
Other financial assets, noncurrent-demand deposits	30,000	23,000	Long - term borrowings
Total	$30,021	$66,641	

9. Commitments and contingencies

None.

10. Loss due to major disasters

None.

11. Significant subsequent events

On March 5, 2020, the company's board of directors decided to issue ordinary shares to increase its capital through private placement. The total number of issuance is no more than 10 million shares, and the per value of each share is NT$10.

The actual fundraising situation shall be issued three times within one year from the date of resolution of this private placement by the shareholders' meeting of the company.

The board of directors will propose the private placement in the shareholders meeting and request the authority to process the private placement in three stages based on the actual funding within one year from the date of the resolution.

12. Others

(1) Categories of financial instruments

Financial assets	As of December 31, 2019	As of December 31, 2018
Financial assets at fair value through other comprehensive income	$41,274	$153,004
Financial assets measured at amortized cost (Note 1)	287,566	288,249
Total	$328,840	$441,253

Financial liabilities	As of December 31, 2019	As of December 31, 2018
Financial liabilities at amortized cost:		
Short-term borrowings	$-	$30,000
Accounts payable	188,285	101,260
Long-term borrowings (including current portion)	107,742	84,602
Lease liabilities	30,328	(Note 2)
Total	$326,355	$215,862

Note:

1) Including cash and cash equivalents (except for cash on hand), notes receivable, other notes receivables-related parties, accounts receivable, accounts receivable-related parties, other receivables, other receivables-related parties, other financial assets, current, refundable deposits , and other financial assets, noncurrent.
2) The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in acutance with the transition provision in IFRS 16.

(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, 2019 and 2018 is increased/decreased by NT$269 thousand and decreased/increased by NT$55 thousand, respectively.

(B) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2019 and 2018 is decreased/increased by NT$1,478 thousand and NT$1,528 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. 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 2019 and 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$535 thousand and NT$548 on the equity attributable to the Company for the years ended December 31, 2019 and 2018, respectively.

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 Company is exposed to credit risk from operating activities (primarily for accounts 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, 2019, and December 31, 2018, accounts receivable and contract assets from top ten customers represent 35.64% and 77% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivable and contract assets are 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 and companies with good credit rating. 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, 2019					
Short-term borrowings	$-	$-	$-	$-	$-
Accounts payable (including other payables)	188,285	-	-	-	188,285
Long-term borrowings (including estimated interest)	51,485	58,687	-	-	110,172
Lease liabilities (Note)	21,361	9,965	-	-	31,326

	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

Note: Including cash flows resulted from short-term leases or leases of low-value assets.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 31, 2019	$30,000	$84,602	$50,371	$164,973
Cash flows	(30,000)	23,140	(20,928)	(27,788)
Non-cash changes	-	-	885	885
As of December 31, 2019	$-	$107,742	$30,328	$138,070

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

(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, refundable deposits, 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, 2019

	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	$5,351	$-	$35,923	$41,274

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

Transfers between Level 1 and Level 2 during the period

During the years ending December 31, 2019 and 2018, 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, 2019	$147,520
Total gains and losses recognized for the year ended December 31, 2019	
Amount recognized in OCI (presented in "Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	(111,597)
Ending balances as of December 31, 2019	$35,923

	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, 2019

	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$3,592 thousand

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, 2019		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$304	30.02	$9,135
RMB	43,502	4.31	187,495
Financial liabilities			
Monetary items:			
USD	$1,202	29.98	$36,037
RMB	9,200	4.31	39,652

	December 31, 2018		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$178	30.77	$5,484
NTD	34,170	4.47	152,807

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, 2019 and 2018, foreign exchange losses were NT$2,924 thousand and NT$2,295 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, 2019

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 4 and 7)	Limit of total financing amount (Note 4 and 7)	Note
													Item	Value			
1	SOFTSTAR INTERNATIONAL INC.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Other receivables-related parties	Y	19,487		-	1.75%	2	-	Operating	-	None	-	59,960	89,940	Note8
1	SOFTSTAR INTERNATIONAL INC.	SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Other receivables-related parties	Y	29,980		-	1.75%	2	-	Operating	-	None	-	59,960	89,940	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.
Individual financial amount not exceed the transaction amount between the lender and the counterparty for companies with transactions.
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 30% of the company's net value.

Note 4: It is converted according to the exchange rate on the balance sheet date of December 31, 2019.

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 International Inc. may provide financing up to any of the following companies : (a) a company in which the Company directly or indirectly held 100% of its shares or (b)companies that the Group transact with. The individual financing amount to any of the aforementioned companies shall not exceed USD$2,000 thousand and the total financing amount shall not exceed USD$3,000 thousand.

Note 8: The financing amount authorized to Softstar Technology (Shanghai) Co., Ltd. has never been used during the authorized period and expired on March 31, 2019.

Note 9: The financing amount used by Softstar Technology (Beijing) Co., Ltd. was fully collected in July 2019, and on August 13, 2019, the Board of Directors passed the resolution to withdraw the financing amount to Softstar Technology (Beijing) Co., Ltd.

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

ATTACHMENT 2: Endorsement/Guarantee provided to others for the year ended December 31, 2019

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, 8 and 9)	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.	1	$804,897	$213,780	$-	$-	$-	-%	$804,897	N	N	Y
0	SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	1	804,897	54,000	-	-	-	-	804,897	N	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" 。

Note 8: The endorsements and guarantees to Softstar Technology (Shanghai) Co., Ltd. was not used within the authorized period.

Note 9: On August 13, 2019, the Board of Directors passed the resolution to withdraw the endorsements and guarantees to Softstar Technology (Beijing) Co., Ltd.

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

ATTACHMENT 3: Securities held as of December 31, 2019

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, 2019				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, non-current	2,696	$27,822	19.48%	$27,822	N
SOFTSTAR ENTERTAINMENT INC.	Stock	TAIWAN SMART CARD CO.	-	Financial assets at fair value through other comprehensive income, non-current	2,552	3,848	15.95%	3,848	N
SOFTSTAR ENTERTAINMENT INC.	Stock	DOUBLE EDGE ENTERTAINMENT CORP.	-	Financial assets at fair value through other comprehensive income, non-current	479	4,253	17.43%	4,253	N
SOFTSTAR ENTERTAINMENT INC.	Stock	FUNFIA INC.	Other related party	Financial assets at fair value through other comprehensive income, non-current	600	-	11.51%	-	N
SOFTSTAR ENTERTAINMENT INC.	Emerging stock	SNSPLUS, INC.	-	Financial assets at fair value through other comprehensive income, non-current	1,331	5,351	2.34%	5,351	N
Kobe Co., Ltd.	Listed stock	NEWRETAIL CO., LTD.	Other related party	Financial assets at fair value through other comprehensive income, non-current	5,001	14,718	4.24%	14,718	N
						$55,992			

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	$53,847	Negotiated by both parties	9.52%
0	SOFTSTAR ENTERTAINMENT INC.	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	1	Accounts Receivable	28,728	Negotiated by both parties	2.32%

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, 2019			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	$163,387	$200,899	5,059	100%	$632,029	$600,452	$600,452	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Taiwan	Software wholesale and information software services	95,000	95,000	2,850	100%	2,724	10,756	10,756	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Softstar Agency Co., Ltd.	Taiwan	Performing arts	10,000	10,000	-	100%	(2,540)	(2,027)	(2,027)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Marsware Entertainment Inc.	Taiwan	Network software development and technical services	30,000	30,000	3,000	100%	(3,002)	2	2	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Fairy Palm Inc.	Taiwan	Software publishing and information software services	-	102	-	51%	-	(89)	1	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	SOFTSTAR CREATIVE INC.	Taiwan	Network software development and technical services	47,000	47,000	4,700	100%	1,716	(113)	(113)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Kobe Co., Ltd.	Taiwan	General investment	98,792	98,792	-	100%	15,072	(65)	(65)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	Gamebase Digital Media Corporation	Taiwan	Software publishing and information software services	50,000	25,000	5,100	92.73%	3,266	(24,799)	(22,622)	Subsidiary
SOFTSTAR ENTERTAINMENT INC.	A.R.T. Games Co., Ltd.	Taiwan	Network software development and technical services	12,250	12,250	1,225	49%	2,906	(5,906)	(2,937)	Investments accounted for using the equity method
SOFTSTAR ENTERTAINMENT INC.	Chia-e International Inc.	Taiwan	Investment holding	20,000	20,000	814	28.21%	-	(5,006)	(1,303)	Investments accounted for using the equity method
SOFTSTAR INTERNATIONAL INC.	MAURITIUS WEBSTAR INC.	Mauritius	Investment holding	47,302	47,302	158	100%	11	(564)	(564)	Second-tier subsidiary
SOFTSTAR INTERNATIONAL INC.	SOFTSTAR GLOBAL INC.	Mauritius	Investment holding	162,277	162,277	5,327	100%	(7,043)	(753)	(753)	Second-tier subsidiary
SOFTSTAR INTERNATIONAL INC.	SOFTSTAR ANIMATION LIMITED	Samoa	Investment holding	29,888	51,829	980	100%	6,260	(6,170)	(6,170)	Second-tier subsidiary
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Perfecten Corporation	Taiwan	Network software development and technical services	50,000	50,000	5,000	100%	2,616	152	152	Second-tier subsidiary

Note 1: If the listed company set up the overseas investment company and consolidated financial statements are 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.

(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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (loss) of investee Company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as of December 31, 2019	Accumulated inward remittance of earnings as of December 31, 2019	Note (Note 2(2))
					Outflow	Inflow							
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Information processing service	$32,856	2	$32,856	$-	$-	$32,856	$87,998	49%	$51,834	$625,708	$-	B
SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD.	Information processing service	134,694	2	22,294	-	-	22,294	(160,577)	49%	(96,292)	(114,715)	-	B
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD.	Development of computer hardware and network technology	31,846	2	31,846	-	-	31,846	(259)	100%	(259)	(7,043)	-	B
JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD.	Network software development and technical services	65,263	2	65,263	-	-	65,263	-	100%	-	-	-	B(Note 4)

2. Investment quota for Mainland China:

Accumulated investment in Mainland China as of December 31, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment in accordance with Ministry of Economic Affairs regulations (Note 5)
$152,259	$285,526	$482,964

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: JOYPARK WEBSTAR (BEIJING) TECHNOLOGY CO., LTD. has completed cancellation of registration on March 26, 2019.

Note 5: The upper limit of investment amount in Mainland China is the higher of 60% of the net value or 60% of consolidated net value.

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: NT$1,000

Item \ Year	2019	2018	Differences	
			Amount	%
Current assets	418,699	602,860	(184,161)	(30.55)
Financial assets at fair value through other comprehensive income - Noncurrent	55,992	189,506	(133,514)	(70.45)
Investments accounted for using the equity method	628,614	16,528	612,086	3,703.33
Property, plant and equipment	12,070	23,423	(11,353)	(48.47)
Intangible assets	8,412	12,586	(4,174)	(33.16)
Other non-current assets	85,154	215,256	(130,102)	(60.44)
Other financial assets - Non-current	30,000	23,000	7,000	30.43
Total assets	1,238,941	1,083,159	155,782	14.38
Current liabilities	341,474	410,839	(69,365)	(16.88)
Non-current liabilities	92,527	185,834	(93,307)	(50.21)
Total liabilities	434,001	596,673	(162,672)	(27.26)
Common stock	492,945	477,945	15,000	3.14
Additional paid-in capital	162,992	179,197	(16,205)	(9.04)
Retained earnings	469,543	144,139	325,404	225.76
Other equity	(320,583)	(314,911)	(5,672)	1.80
Total equity attributable to the parent company	804,897	486,370	318,527	65.49
Non-controlling equity	43	116	(73)	(62.93)
Total equity	804,940	486,486	318,454	65.46

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: Mainly due to the prepayment transfer costs and the loss of contract assets due to the loss of control of the subsidiary Softstar Technology (Beijing) Co., Ltd. in June 2019, resulting in a decrease in current assets.
   (2) Investment using the equity method: Mainly due to the loss of control of the subsidiary Softstar Technology (Beijing) Co., Ltd. in June 2019, and the investment in the subsidiary was measured at fair value and transferred to the investment under equity method.

(3) Real estate, plant and equipment: Mainly due to the loss of control of the subsidiary Softstar Technology (Beijing) Co., Ltd. in June 2019, which is no longer incorporated into the entity of the consolidated statements.
(4) Other non-current assets: Mainly due to the loss of control of the subsidiary Softstar Technology (Beijing) Co., Ltd. in June 2019, which is no longer incorporated into the entity of the consolidated statements.
(5) Non-current liabilities and total liabilities: Mainly due to the loss of control of the subsidiary Softstar Technology (Beijing) Co., Ltd. in June 2019, which is no longer being incorporated into the entity of the consolidated statements.
(6) Retained earnings: Mainly due to the increase in net profit for the period.
(7) The equity attributable to the shareholders of the parent company: Mainly due to the increase in net profit for the period.

2. Future corresponding plan: Not applicable.

II. Analysis of Operation Results

Unit: NT$1,000

Year / Item	2019	2018	Increases (decreases)	Change by percentage (%)
Operating revenue	565,818	855,738	(289,920)	(33.88)
Cost of goods sold	(91,002)	(81,510)	(9,492)	11.65
Gross profit	474,816	774,228	(299,412)	(38.67)
Operating expenses	(692,396)	(627,772)	(64,624)	10.29
Operating income (loss)	(217,580)	146,456	(364,036)	(248.56)
Non-operating income and expenses	553,447	(7,894)	561,341	(7,110.98)
Profit (Loss) before income tax	335,867	138,562	197,305	142.39
Income tax expenses	(12,050)	(53,135)	41,085	(77.32)
Net income (loss) for the period	323,817	85,427	238,390	279.06
Net income attributable to shareholders of the parent company	326,039	87,823	238,216	271.25
Net income attributable to non-controlling interests	(2,222)	(2,396)	174	(7.26)

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) Operating income and gross profit: Mainly due to the decrease in the licensing revenue in 2019.
   (2) Operating income, non-operating income and expenses, net profit before tax and current net profit: Mainly due to the loss of control of the subsidiary Softstar Technology (Beijing) Co., Ltd. in June 2019 and recognition of its disposal benefits.
   (3) Income tax expense: Mainly due to the decrease in the licensing revenue in 2019.
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: NT$1,000

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
180,410	15,819	(24,650)	171,579	-	-

1. Analysis of changes in cash flows in 2019:
   (1) Operating activities: The net cash inflow from operating activities for the period was mainly due to the decrease in prepayments and the increase in accounts payable.
   (2) Investing activities: The net cash outflow from investing activities for the period was mainly due to the disposal of subsidiaries.
   (3) Financing activities: Net cash inflow from financing activities for the period was mainly due to the increase in the guarantee deposits in 2019.

2. Remedial measures for cash deficit and liquidity analysis:
   (1) Remedial measures for cash deficit: None.
   (2) Liquidity analysis:

Item \ Year	Dec. 31, 2019	Dec. 31, 2018	Increase (Decrease) %
Cash flow ratio (%)	4.63%	(39.48)%	(111.73)
Cash flow adequacy ratio (%)	2.27%	(4.33)%	(152.42)
Cash flow reinvestment ratio (%)	2.08%	(58.50)%	(103.56)
Increase or decrease of change analysis: Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Due to the cash inflow from operating activities in 2019.			

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	
				Investing plans	Financial plans
171,579	74,063	(34,905)	210,737	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 2020. (2) Investing activities: Net cash outflow from investing activities for the period was primarily due to the projected purchases of fixed assets and intangible assets. (3) Financing activities: The net cash outflow from financing activities for the period was primarily due to the distribution of cash dividends and the repayment of bank loans. 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 2019.

(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 2019 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 Dec. 31, 2019, regarding loans between offshore companies and subsidiaries wholly owned, directly or indirectly, by the Company, the limits approved by the Board was NT$49,467 thousand, and the actual utilized amount was fully repaid. As of the date of the printing date of the annual report, the Company holds, directly and indirectly, 100% of the voting shares among foreign companies, and has no funds to loan to others.

   (2) Endorsement/guarantee of the Company in 2019:

Subject of Endorsements/Guarantees	Endorsement/Guarantee amount (Maximum Endorsement/Guarantee Balance)	Actual Utilized Amount
SOFTSTAR TECHNOLOGY (SHANGHAI) CO.,LTD.	NT$54,000 thousand	NT$0
SOFTSTAR TECHNOLOGY (BEIJING) CO.,LTD.	NT$213,780 thousand	NT$58,446 thousand
Total	NT$267,780 thousand	NT$58,446 thousand

   In accordance with the Company's operational procedures for endorsements/guarantees, the cumulative endorsement/guarantee amount shall not exceed the Company's net worth; and the endorsement/guarantee amount for a single enterprise shall not exceed the Company's net worth either. The maximum balance of the Company's endorsement/guarantee in 2019 was NT$267,780 thousand and the maximum endorsement/guarantee balance for a single enterprise was NT$213,780 thousand. As of December 31, 2019, both the above endorsement/guarantee obligations had been relieved. As of the printing date of the annual report, the Company has not handled other endorsements/guarantees.

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) At the beginning of this year, the cross-generation boutique single player mobile game "Legend of the Zyca" has been launched. The latest generation of "Stardom" series is expected to be launched in the summer vacation in the mobile game version first, and the game will be launched on other platforms in the future. In addition, "Sword and Fairy" and "Xuan Yuan Sword" IP is also expected to be launched before the end of the year. The exquisite and beautiful "Sword and Fairy 7" and the delicate and picturesque "Xuan Yuan Sword 7" both use the high-level next-generation UE4 to develop two completely different styles of products that can attract market players with different preferences. The computer platform versions for both games are also developed to expand the market, continue the vitality of the brand, and further activate IP business opportunities.

   (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$220 million in 2020.

(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 2019 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.

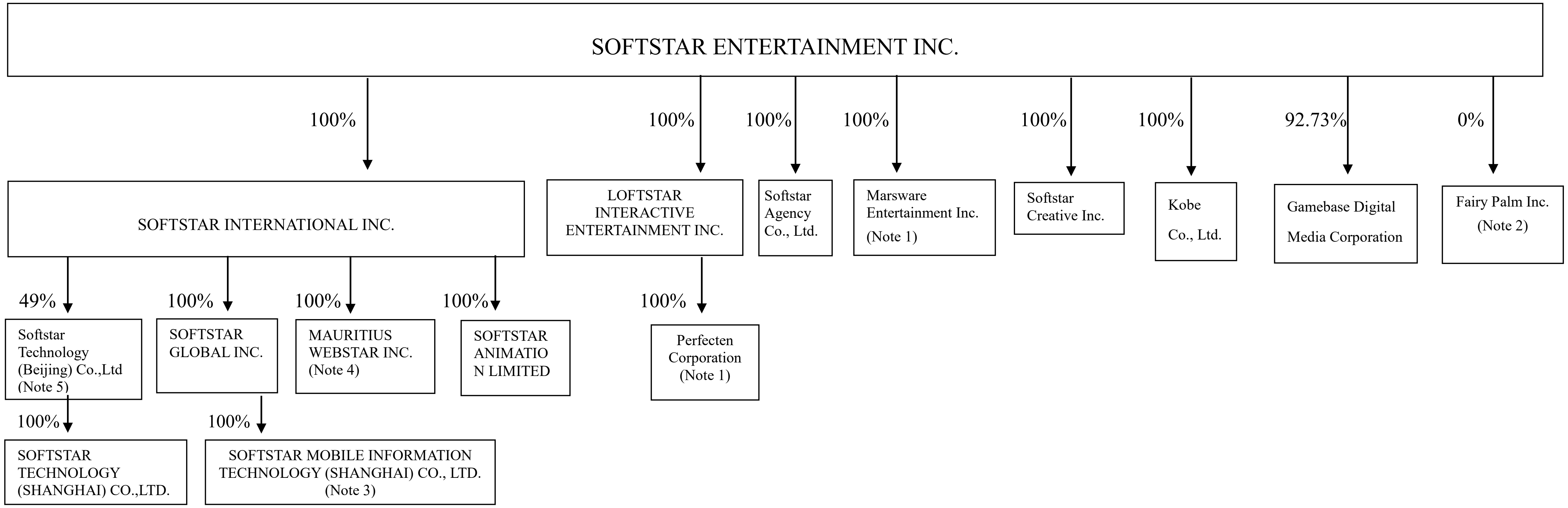
Chapter 8 Special Disclosure

I. Summary of Affiliated Companies

(I) Consolidated Business Report Covering Affiliated Companies

1. Profiles and status of affiliates:

December 31, 2019



Note 1: Application for dissolution in November 2018 is still in process.

Note 2: Application for dissolution in March 2019 is still in progress. The Company originally held 51% of Fairy Palm Inc., which had been liquidated with no capital by the end of 2019.

Note 3: Application for cancellation in September 2019 has been completed on January 15, 2020.

Note 4: Application for cancellation in November 2019 is still in process.

Note 5: The shareholding of Softstar Technology (Beijing) Co.,Ltd. has been reduced from 100% to 49% since June 2019.

2. Information on Affiliated Companies

December 31, 2019; Unit: NT$1,000

Affiliated Company	Date of Incorporation (yyyy/mm/dd)	Address	Paid-in Capital	Scope of Business or Production
Softstar International Inc. SOFTSTAR INTERNATIONAL INC.	2000/04/19	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands	163,387	General investment
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (Note 5)	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	134,694	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. (Note 3)	2005/03/31	Room 218, Building 1, No. 63, Chifeng Road, Yangpu District, Shanghai City	31,846	Computer hardware and network technology development
Mauritius Webstar Inc.(Note 4)	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	29,888	General investment
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	2014/04/10	7/F, No.29, Section 1, Anhe Road, Taipei	28,500	Software wholesaling and information software services
Perfecten Corporation (Note 1)	2014/05/23	15F, No. 200, Section 1, Keelung Road, Taipei City	50,000	Network software development and technical services

Softstar Agency Co., Ltd.	2015/02/04	23F-1, No. 200, Section 1, Keelung Road, Taipei City	10,000	Performing activities
Marsware Entertainment Inc. (Note 1)	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 6)	2016/02/03	15F, No. 200, Section 1, Keelung Road, Taipei City	47,000	Network software development and technical services
Kobe Co., Ltd. (Note 6)	2009/06/19	15F, No. 200, Section 1, Keelung Road, Taipei City	99,200	General investment
Gamebase Digital Media Corporation (Note 6)	2011/05/26	15F-1, No. 200, Section 1, Keelung Road, Taipei City	55,000	Software publishing and information software services
Fairy Palm Inc. (Note 2)	2017/10/11	15F, No. 200, Section 1, Keelung Road, Taipei City	0	Network software development and technical services

Note 1: Application for dissolution in November 2018 is still in process.

Note 2: Application for dissolution in March 2019 is still in progress. The Company originally held 51% of Cactus Game Co., Ltd., which had been liquidated with no capital by the end of 2019.

Note 3: Application for cancellation in September 2019 has been completed on January 15, 2020.

Note 4: Application for cancellation in November 2019 is still in process.

Note 5: The shareholding of Softstar Technology (Beijing) Co.,Ltd. has been reduced from 100% to 49% since June 2019.

Note 6: The address was changed to 23/F, No. 200, Section 1, Keelung Road, Taipei City in March 2020.

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

As of December 31, 2019 Unit: thousand shares

Affiliated Company	Title	Name or Representative	Shares Held	
			Number of Shares	Shareholding Percentage
Softstar International Inc. SOFTSTAR INTERNATIONAL INC.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	5,059	100.00%
SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (Note 5)	Chairman	Hsiao Chien, representative for CMGE Technology Group Limited	Note 6	51.00%
	Director	Liang Yan, Xian, Han-Di, representatives for CMGE Technology Group Limited	Note 6	51.00%
	Director	SOFTSTAR INTERNATIONAL INC. Representatives: Tu, Chun-Kuang, Yao, Chuang-Hsien	Note 6	49.00%
	General Manager	Yao, Chuang-Hsien	Note 6	-
	Supervisor	CMGE Technology Group Limited Representative: Ye, Miao-Liang	Note 6	51.00%
	Supervisor	Hsieh, Ping-Hui, representative for Softstar International Inc.	Note 6	49.00%
SOFTSTAR TECHNOLOGY (SHANGHAI) CO.,LTD.	Executive Directors	Hsiao Chien, representative for SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Note 6	100.00%
	General Manager	Chang, Hsiao-Chuan	0	0
	Supervisor	Ye, Miao-Liang, representative for SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD.	Note 6	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. (Note 3)	Chairman	Yao, Chuang-Hsien, representative for Softstar Global Inc.	Note 6	100.00%
	Director	Tu, Chun-Kuang and Chang, Hsiao-Chuan, representatives for Softstar Global Inc.	Note 6	100.00%
	General Manager	Chang, Hsiao-Chuan	0	0
	Supervisor	Hsieh, Ping-Hui, representative for Softstar Global Inc.	Note 6	100.00%
Mauritius Webstar Inc.(Note 4)	Chairman	Tu, Chun-Kuang, representative for Softstar International Inc.	158	100.00%
Softstar Animation Limited	Chairman	Tu, Chun-Kuang, representative for Softstar International Inc.	980	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 (Note 1)	Chairman	Tu, Chun-Kuang, representative for LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	5,000	100.00%

Affiliated Company	Title	Name or Representative	Shares Held	
			Number of Shares	Shareholding Percentage
	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 6	100.00%
Marsware Entertainment Inc. (Note 1)	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	3,000	100.00%
	Director	Tsai, 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.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	4,700	100.00%
	Director	Tsai, 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 6	100.00%
Gamebase Digital Media Corporation (Note 7)	Chairman	Tsai, Ming-Hung, representative for SOFTSTAR ENTERTAINMENT INC.	5,100	92.73%
	Director	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	5,100	92.73%
		He, Fei-Peng, representative for CITE PUBLISHING LIMITED	400	7.27%
	General Manager (Note 7)	Li, Chun-Hsien	0	0
	Supervisor (Note 7)	Lien, Chien-Chin	0	0
Fairy Palm Inc. (Note 2)	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	0	0
	Director	Tsai, Ming-Hung, representative for SOFTSTAR ENTERTAINMENT INC.	0	0
		Tsai, Kuang-Cheng	0	0
	Supervisor	Chen, Yao-Tien	0	0

Note 1: Application for dissolution in November 2018 is still in process.

Note 2: Application for dissolution in March 2019 is still in progress. The Company originally held 51% of Cactus Game Co., Ltd., which had been liquidated with no capital by the end of 2019.

Note 3: Application for cancellation in September 2019 has been completed on January 15, 2020.

Note 4: Application for cancellation in November 2019 is still in process.

Note 5: The shareholding of Softstar Technology (Beijing) Co.,Ltd. has been reduced from 100% to 49% since June 2019.

Note 6: It is a limited company, so no share is issued.

Note 7: In March 2020, the General Manager of Gamebase Digital Media Corporation changed to Lien, Chien-Chin and the Supervisor changed to Hsieh, Ping-Hui.

6. Financial Position and Operating Results of Affiliated Companies

December 31, 2019

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.	163,387	632,256	227	632,029	0	(650)	600,452
Softstar Global Inc.	162,277	(7,043)	0	(7,043)	0	0	(753)
SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD. (Note3)	31,846	427	7,470	(7,043)	358	(570)	(259)
Mauritius Webstar Inc. (Note 4)	47,302	11	0	11	0	(573)	(564)
Softstar Animation Limited	29,888	7,943	1,683	6,260	6,587	(6,206)	(6,170)
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	28,500	69,555	66,831	2,724	173,846	7,274	10,756
Perfecten Corporation (Note 1)	50,000	2,616	0	2,616	0	0	152
Softstar Agency Co., Ltd.	10,000	1,121	3,661	(2,540)	0	(2,029)	(2,027)
Marsware Entertainment Inc.(Note 1)	30,000	4,531	7,533	(3,002)	0	0	2
Softstar Creative Inc.	47,000	1,726	10	1,716	0	(113)	(113)
Kobe Co., Ltd.	99,200	15,082	10	15,072	0	(65)	(65)
Gamebase Digital Media Corporation	55,000	7,460	6,862	598	10,520	(25,473)	(24,799)
Fairy Palm Inc. (Note 2)	0	0	0	0	0	(89)	(89)

Note: On December 31, 2019, the exchange rate of US dollar to NT dollar was 1:29.98 (balance sheet) and 1:30.91 (income statement).

On December 31, 2019, the exchange rate USD to NTD was 1:4.31 (balance sheet) and 1:4.47 (income statement).

Note 1: Application for dissolution in November 2018 is still in process.

Note 2: Application for dissolution in March 2019 is still in progress.

The Company originally held 51% of Cactus Game Co., Ltd., which had been liquidated with no capital by the end of 2019.

Note 3: Application for cancellation in September 2019 has been completed on January 15, 2020.

Note 4: Application for cancellation in November 2019 is still in process.

(II) Consolidated Financial Statements Covering Affiliated Companies: Same as the consolidated financial statements (refer to Pages 99~201).

(III) Statement on Consolidated Financial Statements Covering Affiliated Companies

SOFTSTAR ENTERTAINMENT INC. and Subsidiaries

Statement on Consolidated Financial Statements Covering Affiliated Companies

In year 2019 (from January 1 to December 31, 2019), pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the Company's entities that shall be included in preparing the Consolidated Financial Statements for Affiliates and the Parent-Subsidiary Consolidated Financial Statements for International Financial Reporting Standards (IFRS) 10 are the same. Moreover, the disclosure information required for the Consolidated Financial Statements for Affiliates has been fully disclosed in the aforementioned Parent-Subsidiary Consolidated Financial Statements; hence, a separate Consolidated Financial Statements for Affiliates will not be prepared.

Very truly yours,

SOFTSTAR ENTERTAINMENT INC.

Chairman: Tu, Chun-Kuang

March 5, 2020

(IV) Affiliation Report: N/A.

II. Private Placement Securities in the Most Recent Years

Items	1st private placement in 2019 (Note 1) Date of issue: Not yet placed	1st private placement in 2020 (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 19, 2019; the number of privately placed common shares to be issued did not exceed 10 million; to be proposed in the annual shareholders' meeting on June 10, 2019 for approval. Discontinued upon approval of the Board of Directors on March 5, 2020.	Approved by the Board of Directors on March 5, 2020; the number of privately placed common shares to be issued did not exceed 10 million; to be proposed in the 2020 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) One, three or five business days prior to the pricing date, choose one to calculate the simple arithmetic average of the closing price of common shares, deduct the ex-dividend and distribution of cash dividend, and add back the share price after the reduction of capital against ex-dividend. (2) Based on the closing price of common stock on the first 30 business days before the pricing date to derive the simple arithmetic average, deduct the ex-dividend and distribution of cash dividend, and add back the stock price after the reduction of capital against ex-dividend. 2. The price per share of privately placed common shares shall be no lower than 80 % of the reference price. 3. The actual pricing date and the actual private placement price are proposed to be determined by the Board of Directors authorized by the Shareholders' Meeting according to the situation of contacting specific persons and market conditions in the future. The private placement price shall not be less	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) One, three or five business days prior to the pricing date, choose one to calculate the simple arithmetic average of the closing price of common shares, deduct the ex-dividend and distribution of cash dividend, and add back the share price after the reduction of capital against ex-dividend. (2) Based on the closing price of common stock on the first 30 business days before the pricing date to derive the simple arithmetic average, deduct the ex-dividend and distribution of cash dividend, and add back the stock price after the reduction of capital against ex-dividend. 2. The issuance price shall not be less than 80% of the reference price for the establishment of the private placement price. 3. The actual pricing date and the actual private placement price shall be determined by the Board of Directors authorized by the Shareholders' Meeting according to the situation of the contacting specific person and the market situation in the future. The private placement price shall not be less than 80% of the aforesaid reference price, and shall not be less

<table>
<tr><td></td><td colspan="5">than 80% of the aforesaid reference price, and shall not be less than the par value of the shares.
4. The above-mentioned private placement price is determined according to the low liquidity of private common stocks, and the price is determined in accordance with the provisions of "Directions for Public Companies Conducting Private Placements of Securities", so it should be reasonable.</td><td colspan="5">than the par value of the shares.
4. The above-mentioned private placement price is determined according to the low liquidity of private ordinary shares, and the price is determined in accordance with the provisions of "Directions for Public Companies Conducting Private Placements of Securities", so it should be reasonable.</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 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><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 (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></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</td><td colspan="5">Not yet placed</td><td colspan="5">Not yet placed</td></tr>
</table>

subscription (conversion) price and reference price		
Effect of private placement on shareholders' equity (such as increase in accumulated loss)	Not yet placed	Not yet placed
Use of capital raised through private placement and progress of the plan	To payback Due to Banks and to enrich the working capital of the Group It is expected that the Company's financial structure will be improved, which will help the Company's operations to grow steadily and will be positively beneficial to the enhancement of shareholders' equity.	To payback Due to Banks and to enrich the working capital of the Group It is expected that the Company's financial structure will be improved, which will help the Company's operations to grow steadily and will be positively beneficial to the enhancement of shareholders' equity.
Realization of benefits of the plan	Not yet placed	Not yet placed

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