

**SOFTSTAR ENTERTAINMENT INC.
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

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The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two

SOFTSTAR ENTERTAINMENT INC.

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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, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, 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 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on these matters.

Revenue Recognition –Royalties

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

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

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

Disposal of the material assets by the Company's subsidiary, Time Vision International Limited (TVI)

The shareholders' meeting of the Company held on July 1, 2021 resolved to dispose the material assets, the investment accounted for using the equity method and the intellectual property. On August 5, 2021, the Board of Directors meeting agreed with the counterparty, transaction price, and the related agreements of this disposal. Owing to the significant transaction price and involvement of offshore transactions and regulatory compliance, we therefore consider this as a key audit matter.

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

1. Understanding the compliance of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, Information Reporting by Companies with TPEX Listed Securities, and other related regulations on the internal approval process and publicly disclosure of material information;
2. Obtaining the relevant documents pertaining to share purchase and equity transfer agreements to examine whether the agreed terms and conditions are fulfilled and confirm the recognition of related gains and transaction costs as well as the accuracy of amounts; and
3. Obtaining and examining the remittance records and comparing the consistency with the booking records to verify the occurrence of the transactions.

We also considered the appropriateness of the parent company only financial statements disclosure regarding the investment accounted for equity method and the non-operating income in Note 5 and 6.

Other matter – Reference to the reports of other independent auditors

We did not audit the financial statements of certain investments accounted for using the equity method. Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for those investee companies accounted for using equity method and information disclosed in Note 13 relating to these equity investments, is based solely on the audit reports of other auditors. The balance of investments accounted for using the equity method amounted to NT\$89,121 thousand, representing 3.82% of total assets as of December 31, 2021, and comprehensive loss (including share of profit or loss and share of other comprehensive income of associates and joint ventures accounted for using equity method) amounted to NT\$713 thousand, representing 0.09% of the total comprehensive income (loss) for the year ended 31 December, 2021.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 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 30, 2022

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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		Liabilities and Equity	Notes	As of	
		December 31, 2021	December 31, 2020			December 31, 2021	December 31, 2020
Current assets				Current liabilities			
Cash and cash equivalents	4, 6 and 12	\$539,398	\$167,540	Contract liabilities, current	4 and 6	\$107,176	\$6,039
Contract assets, current	4, 6 and 7	-	62,573	Accounts payable	12	17,533	69,729
Accounts receivable, net	4, 6 and 12	25,805	140,380	Accounts payable-related parties	7 and 12	2,207	2,686
Accounts receivable-related parties, net	4, 6, 7 and 12	11,948	31,277	Other payables	6 and 12	71,387	37,698
Other receivables	4 and 12	14,499	3	Other payables-related parties	7 and 12	-	256
Other receivables-related parties	7 and 12	277,998	1,070	Current income tax liabilities	4 and 6	242,632	14,779
Current income tax assets	4	8,188	556	Lease liabilities, current	4, 6, 7 and 12	9,568	9,388
Prepayment	4 and 7	12,230	19,745	Current portion of long-term borrowings	4, 6, 8 and 12	76,103	65,919
Other financial assets, current	4, 8 and 12	11,448	14,033	Other current liabilities		1,160	1,135
Total current assets		<u>901,514</u>	<u>437,177</u>	Total current liabilities		<u>527,766</u>	<u>207,629</u>
Non-current assets				Non-current liabilities			
Financial assets at fair value through profit or loss, non-current	4, 5, 6, and 12	37,894	-	Contract liabilities, non-current	4 and 6	28,526	-
Financial assets at fair value through other comprehensive income, non-current	4, 5, 6, and 12	77,658	50,183	Long-term borrowings	4, 6, 8 and 12	74,048	65,399
Investments accounted for using the equity method	4 and 6	1,209,140	580,780	Deferred tax liabilities	4 and 6	5	40
Contract assets, non-current	4 and 6	35,046	25,842	Lease liabilities, non-current	4, 6 and 12	15,311	8,983
Property, plant and equipment	4 and 6	4,429	7,465	Net defined benefit liabilities	4 and 6	18,739	20,897
Right-of-use assets	4 and 6	24,641	18,636	Total non-current liabilities		<u>136,629</u>	<u>95,319</u>
Intangible assets	4 and 6	1,257	2,141	Total liabilities		<u>664,395</u>	<u>302,948</u>
Deferred tax assets	4, 5 and 6	6,007	18,046	Equity			
Refundable deposits	12	4,289	7,056	Common stock	4 and 6	655,869	630,643
Prepayment for investments		-	1,296	Additional paid-in capital	4 and 6	112,491	112,360
Other financial assets, non-current	4, 8 and 12	29,006	27,000	Retained earnings	4 and 6		
Total non-current assets		<u>1,429,367</u>	<u>738,445</u>	Legal reserve		52,755	47,123
				Special reserve		291,085	281,771
				Unappropriated earnings		802,229	98,402
				Other components of equity		(247,943)	(297,625)
				Total equity		<u>1,666,486</u>	<u>872,674</u>
Total assets		<u>\$2,330,881</u>	<u>\$1,175,622</u>	Total liabilities and equity		<u>\$2,330,881</u>	<u>\$1,175,622</u>

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2021 and 2020

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

Item	Notes	For the Years Ended December 31,	
		2021	2020
Net sales	4, 5, 6 and 7	\$366,290	\$428,552
Cost of goods sold	7	(42,604)	(61,954)
Gross profit	6 and 7	323,686	366,598
Operating expenses	6 and 7		
Sales and marketing expenses		(52,422)	(26,808)
General and administrative expenses		(100,408)	(70,472)
Research and development expenses		(126,218)	(166,552)
Expected credit losses		(2,730)	34,672
Subtotal		(281,778)	(229,160)
Operating income		41,908	137,438
Non-operating income and expenses	6		
Other income		15,304	22,432
Other gains and losses		(22,514)	(1,646)
Finance costs		(3,560)	(2,660)
Share of profit or loss of associates and joint ventures accounted for using equity method		990,447	(61,495)
Subtotal		979,677	(43,369)
Profit before income tax		1,021,585	94,069
Income tax expense	4, 5 and 6	(278,002)	(37,173)
Net income		743,583	56,896
Other comprehensive income (loss)	4 and 6		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		1,994	89
Unrealized gains or losses from financial assets at fair value through other comprehensive loss		27,858	8,897
Remeasurements of defined benefit plans of associates and joint ventures accounted for using equity method		2	-
Financial assets at fair value through other comprehensive income of associates and joint ventures accounted for using equity method		9	-
Remeasurements of defined benefit plan of subsidiaries, associates, and joint ventures accounted for using equity method		39	-
Financial assets at fair value through other comprehensive income of subsidiaries, associates, and joint ventures accounted for using equity method		(59)	(1,586)
Tax of items that may not be reclassified subsequently to profit or loss		183	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of foreign operations		15,345	(16,625)
Exchange differences resulting from translating the financial statements of foreign operations of associates and joint ventures for using equity method		(11)	-
Total other comprehensive loss, net of tax		45,360	(9,225)
Total comprehensive income		\$788,943	\$47,671
Earnings per share (NTD)	4 and 6		
Earnings per share-basic		\$11.36	\$0.88
Earnings per share-diluted		\$11.28	\$0.87

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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Description	Retained Earnings					Others Components of Equity					Total
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations	Unrealized Gains or Losses from Financial Assets at Fair Value Through Other Comprehensive Loss	Unearned stock-Based Employee Compensation	Treasury Share		
Balance as of January 1, 2020	\$492,945	\$162,992	\$14,582	\$129,557	\$325,404	\$1,280	\$(283,051)	\$(38,812)	\$-	\$804,897	
Appropriation and distribution of 2019 retained earnings											
Legal reserve	-	-	32,541	-	(32,541)	-	-	-	-	-	
Special reserve	-	-	-	152,214	(152,214)	-	-	-	-	-	
Cash dividends	-	-	-	-	(9,858)	-	-	-	-	(9,858)	
Stock dividends	88,719	-	-	-	(88,719)	-	-	-	-	-	
Changes in other capital surplus											
Stock dividends from additional paid-in capital	49,289	(49,289)	-	-	-	-	-	-	-	-	
Net income in 2020	-	-	-	-	56,896	-	-	-	-	56,896	
Other comprehensive income (loss) in 2020	-	-	-	-	89	(16,625)	7,311	-	-	(9,225)	
Total comprehensive income (loss)	-	-	-	-	56,985	(16,625)	7,311	-	-	47,671	
Repurchase of treasury share	-	-	-	-	-	-	-	-	(1,023)	(1,023)	
Retirement of treasury share	(250)	(773)	-	-	-	-	-	-	1,023	-	
Changes in ownership interests in subsidiaries	-	-	-	-	(655)	-	-	-	-	(655)	
Share-based payment transactions	(60)	(570)	-	-	-	-	-	32,272	-	31,642	
Balance as of December 31, 2020	\$630,643	\$112,360	\$47,123	\$281,771	\$98,402	\$(15,345)	\$(275,740)	\$(6,540)	\$-	\$872,674	
Balance as of January 1, 2021	\$630,643	\$112,360	\$47,123	\$281,771	\$98,402	\$(15,345)	\$(275,740)	\$(6,540)	\$-	\$872,674	
Appropriation and distribution of 2020 retained earnings											
Legal reserve	-	-	5,632	-	(5,632)	-	-	-	-	-	
Special reserve	-	-	-	9,314	(9,314)	-	-	-	-	-	
Cash dividends	-	-	-	-	(12,613)	-	-	-	-	(12,613)	
Stock dividends	25,226	-	-	-	(25,226)	-	-	-	-	-	
Net income in 2021	-	-	-	-	743,583	-	-	-	-	743,583	
Other comprehensive income (loss) in 2021	-	-	-	-	2,218	15,334	27,808	-	-	45,360	
Total comprehensive income (loss)	-	-	-	-	745,801	15,334	27,808	-	-	788,943	
Difference between consideration and carrying amount of subsidiaries acquired	-	131	-	-	11,728	-	-	-	-	11,859	
Changes in ownership interests in subsidiaries	-	-	-	-	(917)	-	-	-	-	(917)	
Share-based payment transactions	-	-	-	-	-	-	-	6,540	-	6,540	
Balance as of December 31, 2021	\$655,869	\$112,491	\$52,755	\$291,085	\$802,229	\$(11)	\$(247,932)	\$-	\$-	\$1,666,486	

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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Description	For the Years Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Net income before tax	\$1,021,585	\$94,069
Adjustments for:		
Depreciation	15,661	21,300
Amortization	3,293	11,189
Expected credit impairment losses (gains)	2,730	(34,672)
Loss on financial assets and liabilities at fair value through profit or loss	4,971	-
Interest expense	3,560	2,660
Interest income	(135)	(154)
Share-based payments expense	6,540	31,642
Share of (gain) loss of associates and joint ventures accounted for using equity method	(990,447)	61,495
Loss (gain) on disposal of property, plant and equipment	3,276	(52)
Loss on disposal of investment	505	-
Gain on disposal of intangible assets	-	(576)
Impairment loss of non-financial assets	2,688	-
Loss on lease modification	609	23
Changes in operating assets and liabilities:		
Contract assets	49,370	(11,998)
Accounts receivable, net	115,844	890
Accounts receivable-related parties, net	19,329	(2,537)
Other receivables	1	(3)
Other receivables-related parties	1,972	3,971
Prepayment	(11,248)	27,324
Contract liabilities	129,663	(18,766)
Accounts payable	(52,196)	(13,146)
Accounts payable-related parties	(479)	(40,878)
Other payables	33,689	(23,763)
Other payables-related parties	(256)	256
Other current liabilities	25	(195)
Net defined benefit liabilities	(163)	-
Cash provided by operations	<u>360,387</u>	<u>108,079</u>
Interest received	135	154
Interest paid	(2,982)	(2,672)
Income tax paid	(26,825)	(22,587)
Net cash provided by operating activities	<u>330,715</u>	<u>82,974</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(872)	(12)
Proceeds from disposal of financial assets at fair value through other comprehensive income	12	-
Acquisition of financial assets at fair value through profit or loss	(42,865)	-
Acquisition of investments accounted for using equity method	(749,872)	(13,500)
Increase in prepayments for investments	1,296	-
Capital reduction by cash on investments accounted for using the equity method	842,467	4,530
Disposal of subsidiaries	405	-
Acquisition of property, plant and equipment	(3,599)	(1,657)
Proceeds from disposal of property, plant and equipment	150	52
Increase in guarantee deposits paid	2,767	(1,405)
Acquisition of intangible assets	(2,409)	(3,156)
Proceeds from disposal of intangible assets	-	632
Other financial assets	579	(11,012)
Net cash provided/(used in) by activities	<u>48,059</u>	<u>(25,528)</u>
Cash flows from financing activities:		
Proceeds from long-term borrowings	110,000	80,000
Repayment of long-term borrowings	(91,167)	(56,424)
Repayment of the principal portion of lease liabilities	(13,136)	(17,353)
Cash dividends	(12,613)	(9,858)
Treasury stock transactions	-	(1,023)
Net cash used in financing activities	<u>(6,916)</u>	<u>(4,658)</u>
Net increase in cash and cash equivalents	371,858	52,788
Cash and cash equivalents at beginning of year	167,540	114,752
Cash and cash equivalents at end of year	<u>\$539,398</u>	<u>\$167,540</u>

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

1. History and organization

Formerly known as Cyber Power Systems, Inc., Softstar Entertainment Inc. (“the Company”) was incorporated in August 1998 in the Republic of China and it changed its name to Softstar Entertainment Inc. the same year. The Company main lines of business include online games, game software, instructional software, and research, design and sales of computer peripherals. 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 6F, No. 85, Section 4, Ren’ai 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, 2021 and 2020 were authorized for issue by the Board of Directors on March 30, 2022.

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 recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2020. The nature and impact of the new standard and amendment had no material impact on the Company.

(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	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

- (a) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2021 have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 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 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

- (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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

(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:

- (1) estimates of future cash flows;
- (2) 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
- (3) 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.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(d) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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 is still currently determining the potential impact of the standards and interpretations listed under except (b) IFRS 17 “Insurance Contracts”, which has no material effect on the Company after the estimation, the related effects would be disclosed after the estimation.

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, 2021 and 2020 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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 twelve months) 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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, the Group 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*.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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 affect 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*.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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	1~5 years
Office equipment	3~5 years
Right-of-use assets	1~5 years
Leasehold improvements	2~6 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(11) Leases

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.

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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

(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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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:

	<u>Trademark</u>	<u>Licences</u>	<u>Computer software</u>
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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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 contracts 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 buy 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(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) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(18) 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 or termination benefits

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

(19) 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

(20) 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on 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 less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

E. 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 countries 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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,	
	2021	2020
Cash on hand & petty cash	\$237	\$239
Checking and saving accounts	539,161	167,301
Total	<u>\$539,398</u>	<u>\$167,540</u>

(2) Accounts receivable and Accounts receivable-related parties

	As of December 31,	
	2021	2020
Accounts receivable	\$26,186	\$142,030
Less: loss allowance	(381)	(1,650)
Subtotal	<u>25,805</u>	<u>140,380</u>
Accounts receivable from related parties	11,948	31,277
Less: loss allowance	-	-
Subtotal	<u>11,948</u>	<u>31,277</u>
Total	<u>\$37,753</u>	<u>\$171,657</u>

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of December 31, 2021 and 2020 are NT\$38,134 thousand and NT\$173,307 thousand, respectively. Please refer to Note 6 (14) for more details on loss allowance of accounts receivable for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

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

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(3) Financial assets at fair value through profit or loss, noncurrent

	As of December 31,	
	2021	2020
Financial assets designated at fair value through profit or loss, noncurrent:		
Cathy Private Equity Ecology Limited Partnership	\$23,097	\$-
Cathy Private Equity Smart Technology Limited Partnership	14,797	-
Total	<u>\$37,894</u>	<u>\$-</u>

Financial assets at fair value through profit or loss were not pledged.

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

	As of December 31,	
	2021	2020
Equity instrument investments measured at fair value through other comprehensive income, noncurrent:		
Listed stocks		
Uniplus Electronics Co., Ltd.	\$-	\$12
Emerging market stock		
SNSplus, Inc.	4,134	3,802
Private company stocks		
Auer Media & Entertainment Corp.	67,397	40,600
Taiwan Smart Card Co.	3,084	3,598
Double Edge Entertainment Corp.	3,043	2,171
Funfia Inc.	-	-
Total	<u>\$77,658</u>	<u>\$50,138</u>

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

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

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(5) Investments accounted for using the equity method

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

Investees	As of December 31,				Note
	2021		2020		
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	
<u>Investments in subsidiaries:</u>					
Time Vision International Limited	\$453,188	100%	\$-	-%	Note 1,2
Uniplus Electronics Co., Ltd.	364,989	34.39%	-	-%	Note 3,6
Gamebase Digital Media Corporation	137,147	100%	5,981	93.85%	Note 4
JFN Investment Holding Corp.	71,362	100%	-	-%	Note 6
New Profit Holding Limited	24,282	100%	-	-%	Note 7
Loftstar Interactive Entertainment Inc.	20,843	100%	5,453	100%	Note 5
Lanjing Ltd.	20,038	100%	-	-%	Note 6
Jiwei Technology Ltd.	17,325	100%	-	-%	Note 6
Softstar Animation Limited	5,621	100%	-	-%	Note 8
Activision Entertainment Ltd.	1,801	100%	876	100%	Note 9
Softstar International Inc.	-	-%	552,388	100%	Note 1,8
Kobe Co., Ltd.	-	-%	13,369	100%	Note 10
Softstar Creative Inc.	-	-%	1,570	100%	Note 11
Subtotal	<u>1,116,596</u>		<u>579,637</u>		
<u>Investments in associates:</u>					
Chander Electronics Corp.	89,121	6.89%	-	-%	
A.R.T. Games Co., Ltd.	3,423	49%	1,143	49%	
Chia-e International Inc.	-	28.21%	-	28.21%	
Subtotal	<u>92,544</u>		<u>1,143</u>		
Total	<u>\$1,209,140</u>		<u>\$580,780</u>		

Note 1: On April 12, 2021, the Company restructured its organization by establishing two offshore subsidiaries, Time Vision International Limited (TVI) and Best Classic International Limited (BCI). The Company's subsidiary, Softstar International Inc. was directly held by Best Classic International Limited (BCI) after re-organization. Best Classic International Limited (BCI) was sold to CMGE Technology Group Limited in December 2021.

Note 2: The Board of Directors meeting held on June 11, 2021 approved Time Vision International Limited (TVI) to exchange the IP of Chinese Paladin (in Mainland China only) to acquire the shares of Mighty Leader Limited. Mighty Leader Limited was sold to CMGE Technology Group Limited.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

- Note 3: The Company purchased 28,323 thousand and 33,632 thousand shares of Uniplus Electronics Co., Ltd. in a private placement amounted to NT\$160,000 thousand and NT\$190,000 thousand, respectively, which increased the Company's ownership from 15.72% to 34.39%. As the Company obtained the substantial controls over Uniplus Electronics Co., Ltd., it was consolidated as the Company's subsidiary from the control acquisition date.
- Note 4: Gamebase Digital Media Corporation increased its capital by NT\$5,000 thousand and NT\$5,000 thousand in March and December 2020, respectively, totaling NT\$10,000 thousand and 1,000 thousand shares. The newly issued shares were subscribed by the Company and the registration process was completed. After the capital increase, the Company owned 93.85% shareholdings of Gamebase Digital Media Corporation. On March 30, 2021, the Company purchased 400,000 shares of Gamebase Digital Media Corporation from Cite Publishing Limited, which increased the Company's ownership from 93.5% to 100%. Gamebase Digital Media Corporation increased its capital of NT\$10,000 thousand and NT\$130,000 thousand in June and December 2021, respectively, totaling NT\$140,000 thousand and 14,000 thousand shares. The newly issued shares were subscribed by the Company and the registration process was completed.
- Note 5: Loftstar Interactive Entertainment Inc. increased its capital of NT\$20,000 thousand and NT\$10,000 thousand in March and June, 2021, respectively, totaling NT\$30,000 thousand and 3,000 thousand shares. The newly issued shares were subscribed by the Company and the registration process was completed.
- Note 6: On November 25, 2021, the Company acquired 100% shareholdings of JFN Investment Holding Corp., Lanjing Ltd., and Jiwei Technology Ltd. from a related party, Uniplus Electronics Co., Ltd., because of business strategy.
- Note 7: On October 18, 2021, the Company acquired 100% of New Profit Holding Limited's shares from Angel (USA) Investments Limited, a related party, because of business strategy.
- Note 8: On March 19, 2021, Softstar International Inc. (SII) was restructured to be owned by the Company directly.
- Note 9: Taipei City Government approved Softstar Agency Co., Ltd. to alter its name to Activision Entertainment Ltd. on April 16, 2021. Activision Entertainment Ltd. increased its capital of NT\$5,000 thousand, totaling 500 thousand shares in April 2021. The new shares were subscribed by the Company and the registration process was completed.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Note 10: Kobe Co., Ltd, was dissolved in November 2021, and is still in the liquidation process.

Note 11: Softstar Creative Inc. was dissolved in December 2020, and the liquidation process was completed on August 17, 2021.

Note 12: The subsidiaries are recognized under “Investment accounted for using the equity method” in the individual financial reports, and the necessary evaluation adjustments are made.

Note 13: No investments accounted for using the equity method were pledged.

Note 14: Investment in associates

The Company assessed the recoverable amounts of its investments and recognized an impairment loss of NT\$2,688 thousand in 2021.

The Company’s investments in Chander Electronics Corp., A.R.T. Games Co., Ltd., and Chia-e International Inc. are not individually material. The aggregate carrying amount of the Company’s interests in Chander Electronics Corp., A.R.T. Games Co., Ltd., and Chia-e International Inc. is NT\$92,544 thousand and NT\$1,143 thousand as of December 31, 2021 and 2020. The aggregate financial information of the Company’s investments is as follows:

	For the years ended December, 31	
	2021	2020
Profit or loss from continuing operations	\$(29,168)	\$(8,195)
Other comprehensive income (net of tax)	2,871	-
Total comprehensive loss	<u>\$(26,297)</u>	<u>\$(8,195)</u>

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 is as follows:

	Gain (loss) on investment For the years ended December 31	
	2021	2020
Chander Electronics Corp.	\$(713)	\$-
A.R.T. Games Co., Ltd.	4,969	(1,763)
Chia-e International Inc.	-	-
Uniplus Electronics Co., Ltd. (Note)	541	-
Total	<u>\$4,797</u>	<u>\$(1,763)</u>

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Note 15: A loss on investment of Uniplus Electronics Co., Ltd. amounted to NT\$541 thousand was recognized before it was consolidated in September 2021.

Note 16: The aforementioned associates had no contingent liabilities or capital commitments as of December 31, 2021. No investments accounted for using the equity method were pledged.

Note 17: Disposal of the material assets

On July 1, 2021, the shareholders' meeting of the Company approved to dispose the material assets, the interests of Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only), and granted the Board of Directors an authorization to dispose the assets as follows:

- (A) The total transaction price of the Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only) shall not be lower than NT\$2.2 billion.
- (B) Or sole license the IP of Chinese Paladin (in Mainland China only) to the third party based on a long-term license agreement.

A resolution was made at a Board of Directors meeting held on August 5, 2021 to dispose of the interests of Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only) in the following ways:

- (A) Counterparty and price: CMGE Technology Group Limited, at a price of HK\$641.84 million, approximately NT\$2,312,550 thousand.
- (B) Broker: Hongkong Siyuan Group Limited; Broker fee: HK\$32,092 thousand, approximately NT\$115,627 thousand.
- (C) The Company has transferred the interests of Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only) through Time Vision International Limited, a subsidiary of the Company. Time Vision International has disposed its subsidiary, Best Classic International Limited, to transfer 49% shareholdings of Softstar Technology (Beijing) Co., Ltd. and disposed another subsidiary, Mighty Leader Limited, to transfer the IP of Chinese Paladin (in Mainland China only). These relevant disposal procedures have been completed in the end of 2021, and all the directly related interests reclassified to groups held for sale of NT\$456,535 thousand has been derecognized. As of December 31, 2021, the Company has received NT\$1,680,706 thousand, approximately HK\$470.64 million, and HK\$171.2 million, approximately NT\$612,008 thousand, is still outstanding.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(6) Property, plant and equipment

	As of December 31,			
	2021		2020	
Owner occupied property, plant and equipment	\$4,429		\$7,465	
	Machinery and equipment	Office equipment	Leasehold improvements	Total
Cost:				
As of January 1, 2021	\$9,970	\$8,091	\$13,671	\$31,732
Additions	85	700	2,814	3,599
Disposals	-	(941)	(13,671)	(14,612)
Transfers	(4,010)	4,010	-	-
As of December 31, 2021	\$6,045	\$11,860	\$2,814	\$20,719
As of January 1, 2020	\$9,936	\$6,874	\$13,892	\$30,702
Additions	438	1,219	-	1,657
Disposals	-	(406)	(221)	(627)
Transfers	(404)	404	-	-
As of December 31, 2020	\$9,970	\$8,091	\$13,671	\$31,732
Depreciation and impairment:				
As of January 1, 2021	\$7,642	\$6,281	\$10,344	\$24,267
Depreciation	957	1,326	926	3,209
Disposals	-	(842)	(10,344)	(11,186)
Transfers	(3,262)	3,262	-	-
As of December 31, 2021	\$5,337	\$10,027	\$926	\$16,290
As of January 1, 2020	\$6,450	\$5,278	\$8,578	\$20,306
Depreciation	1,620	981	1,987	4,588
Disposals	-	(406)	(221)	(627)
Transfers	(428)	428	-	-
As of December 31, 2020	\$7,642	\$6,281	\$10,344	\$24,267
Net carrying amounts as of:				
December 31, 2021	\$708	\$1,833	\$1,888	\$4,429
December 31, 2020	\$2,328	\$1,810	\$3,327	\$7,465

Property, plant and equipment were not pledged.

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(7) Intangible assets

	Trademarks	Copyright	Computer software	Total
Cost:				
As of January 1, 2021	\$-	\$5,429	\$30,088	\$35,517
Addition-acquired separately	-	-	2,409	2,409
Deduction-derecognized	-	(5,429)	(15,046)	(20,475)
As of December 31, 2021	\$-	\$-	\$17,451	\$17,451
As of January 1, 2020	\$3,951	\$5,429	\$27,605	\$36,985
Addition-acquired separately	-	-	3,156	3,156
Deduction-sales	-	-	(673)	(673)
Deduction-disposals	(3,591)	-	-	(3,951)
As of December 31, 2020	\$-	\$5,429	\$30,088	\$35,517
Amortization and impairment:				
As of January 1, 2021	\$-	\$5,429	\$27,947	\$33,376
Amortization	-	-	3,293	3,293
Deduction-derecognized	-	(5,429)	(15,046)	(20,475)
As of December 31, 2021	\$-	\$-	\$16,194	\$16,194
As of January 1, 2020	\$3,951	\$362	\$22,442	\$26,755
Amortization	-	5,067	6,122	11,189
Deduction-sales	-	-	(617)	(617)
Deduction-derecognized	(3,951)	-	-	(3,951)
As of December 31, 2020	\$-	\$5,429	\$27,947	\$33,376
Net carrying amount as of:				
December 31, 2021	\$-	\$-	\$1,257	\$1,257
December 31, 2020	\$-	\$-	\$2,141	\$2,141

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

	For the years ended December, 31	
	2021	2020
Operating costs	\$-	\$-
Sales and marketing expenses	\$12	\$-
Research and development expenses	\$3,105	\$5,595
General and administrative expenses	\$176	\$5,594

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(8) Other payables

	As of December 31,	
	2021	2020
Salary payable	\$61,231	\$19,437
Professional service fees payable	3,420	2,980
Insurance payable	1,812	1,724
Other accrued expenses	4,924	13,557
Total	<u>\$71,387</u>	<u>\$37,698</u>

(9) Long-term borrowings

Details of long-term loans are as follows:

Lenders	As of December 31, 2021	Interest Rate (%)	Maturity date and terms of repayment
Taiwan Business Bank secured loan	1,000	1.95%	Repayable quarterly from March 16, 2017 to March 16, 2022. Interest paid monthly.
The Shanghai Commercial & Savings Bank secured loan	22,666	1.98%	Repayable monthly from March 8, 2021 to March 8, 2024. Interest paid monthly.
Cathy United Bank secured loan	23,848	1.95%	Repayable monthly from July 30, 2021 to July 30, 2023. Interest paid monthly.
Bank of Panhsin secured loan	43,238	2.02%	Repayable monthly from July 26, 2021 to July 26, 2024. Interest paid monthly.
Hua Nan Bank secured loan	3,333	2.02%	Repayable monthly from August 5, 2019 to August 5, 2022. Interest paid monthly.
Chang Hwa Bank secured loan	5,000	2.01%	Repayable quarterly from September 20, 2019 to September 20, 2022. Interest paid monthly.
First Bank unsecured loan	12,689	2.02%	Repayable monthly from June 12, 2020 to June 12, 2023. Interest paid monthly.
Shin Kong Bank secured loan	10,100	1.99%	Repayable monthly from December 19, 2020 to December 19, 2022. Interest paid monthly.
Taiwan Cooperative Bank secured loan	28,277	2.00%	Repayable monthly from December 24, 2020 to December 24, 2025. Interest paid monthly.
Subtotal	<u>150,151</u>		
Less: current portion	<u>(76,103)</u>		
Total	<u>\$74,048</u>		

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Lenders	As of December 31, 2020	Interest Rate (%)	Maturity date and terms of repayment
Taiwan Business Bank secured loan	5,000	1.95%	Repayable quarterly from March 16, 2017 to March 16, 2021. Interest paid monthly.
Taiwan Business Bank secured loan	8,333	1.95%	Repayable monthly from October 23, 2018 to October 23, 2021. Interest paid monthly.
Bank of Kaohsiung secured loan	6,805	1.89%	Repayable monthly from December 19, 2018 to December 19, 2021. Interest paid monthly.
Taichung Commercial Bank secured loan	11,000	2.03%	Repaid NT2,000 thousand quarterly from April 1, 2019 to April 1, 2021. Interest paid monthly.
Bank of Panhsin secured loan	4,242	2.02%	Repayable monthly from May 29, 2019 to May 29, 2021. Interest paid monthly.
Hua Nan Bank secured loan	8,333	2.02%	Repayable monthly from August 5, 2019 to August 5, 2021. Interest paid monthly.
Chang Hwa Bank secured loan	11,667	2.01%	Repayable quarterly from September 20, 2019 to September 20, 2021. Interest paid monthly.
First Bank unsecured loan	20,938	2.02%	Repayable monthly from June 12, 2020 to June 12, 2023. Interest paid monthly.
Shin Kong Bank secured loan	20,000	1.99%	Repayable monthly from December 19, 2020 to December 19, 2021. Interest paid monthly.
Taiwan Cooperative Bank secured loan	35,000	2.00%	Repayable monthly from December 24, 2020 to December 24, 2025. Interest paid monthly.
Subtotal	131,318		
Less: current portion	(65,919)		
Total	\$65,399		

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

(10) 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 are NT\$5,133 thousand and NT\$4,985 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\$433 thousand to its defined benefit plan during the 12 months after December 31, 2021.

The weighted-average durations of the defined benefits plan obligation are 11 years as of December 31, 2021 and 2020.

Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020:

	For the years ended December 31,	
	2021	2020
Current period service costs	\$213	\$342
Interest income or expense	84	147
Total	\$297	\$489

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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, 2021	December 31, 2020	January 1, 2020
Present value of the pension obligation under defined benefit pension plans	\$26,002	\$32,946	\$37,189
Fair value of plan assets	(7,236)	(12,049)	(16,203)
Net defined benefit liabilities, noncurrent	<u>\$18,739</u>	<u>\$20,897</u>	<u>\$20,986</u>

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, 2020	\$37,189	\$(16,203)	\$20,986
Current period service costs	342	-	342
Net interest expense (income)	260	(113)	147
Subtotal	602	(113)	489
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	1,056	-	1,056
Experience adjustments	(593)	(552)	(1,145)
Subtotal	463	(552)	(89)
Payments from the plan	(5,308)	5,308	-
Contributions by employer	-	(489)	(489)
As of December 31, 2020	32,946	(12,049)	20,897
Current period service costs	213	-	213
Net interest expense (income)	132	(48)	84
Subtotal	345	(48)	297
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in population assumptions	27	-	27
Actuarial gains and losses arising from changes in financial assumptions	(874)	-	(874)
Experience adjustments	(970)	(177)	(1,147)
Subtotal	(1,817)	(177)	(1,994)
Payments from the plan	(5,473)	5,473	-
Contributions by employer	-	(461)	(461)
As of December 31, 2021	<u>\$26,001</u>	<u>\$(7,262)</u>	<u>\$18,739</u>

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

	As of December 31,	
	2021	2020
Discount rate	0.70%	0.40%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis:

	2021		2020	
	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%	\$-	(680)	\$-	\$(917)
Discount rate decrease by 0.25%	704	-	950	-
Future salary increase by 0.25%	628	-	850	-
Future salary decrease by 0.25%	-	(611)	-	(826)

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.

(11) Equities

(A) Common stock

The Company's authorized capital was NT\$1,300,000 thousand and issued capital were NT\$655,869 thousand and NT\$630,643 thousand, and the number of shares was 65,578 thousand and 63,064 thousand as of December 31, 2021 and 2020, 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 was 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 stocks were 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 were the same as other issued common stock.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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 NT\$0. The rights and obligations of the issuance of ordinary shares were 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, 2020, the Company redeemed and cancelled 6 thousand shares of issued restricted stocks for employees. The registration was completed on March 20, 2020.

On July 29, 2020, the Board of Directors meeting resolved the retirement of treasury stock, totaling 25 thousand shares. The retirement date was set on July 29, 2020 and the registration was completed on August 4, 2020.

On June 9, 2020, the shareholders' meeting of the Company approved the issuance of common stock from unappropriated retained earnings in the amount of NT\$88,719 thousand, and the per value of each share was NT\$10. The base date for capital increase was November 3, 2020. In addition, the shareholders' meeting of the Company approved the issuance of common stock from additional paid-in capital in the amount of NT\$49,289 thousand, and the per value of each share was NT\$10. The base date for capital increase was December 26, 2020. Total of NT\$13,801 thousand of new ordinary shares was issued, and the registration was completed and approved by competent authority.

The shareholders' meeting held on July 1, 2021 approved the issuance of 2,523 thousand shares of common stock from unappropriated retained earnings in the amount of NT\$25,226 thousand, at a par value of NT\$10 per share. The base date for capital increase was November 2, 2021, and the registration was completed.

(B) Capital surplus

	As of December,	
	2021	2020
Additional Paid-in Capital	\$112,360	\$69,895
Difference between consideration and carrying amount of subsidiaries acquired	131	-
Restricted employee stock	-	42,465
Total	<u>\$112,491</u>	<u>\$112,360</u>

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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.

On June 9, 2020, the shareholders' meeting of the Company approved the distribution of stock dividend from additional paid-in capital in the amount NT\$49,289 thousand. 100 new shares to be distributed for every 1,000 shares. However, the Company issued common stock from unappropriated earnings for 8,872 thousand shares first, which caused outstanding shares increased. Therefore, the actual distribution rate was 84,7822 shares for every thousand shares.

(C) Treasury stock

On March 23, 2020, the Board of Directors meeting resolved to repurchase treasury stocks. It was expected to buy 600,000 shares between March 24, 2020 to May 22, 2020 in the price between NT\$31 and NT\$100 per share. As of May 22, 2020, the Company has bought back 25 thousand shares in the amount of NT\$1,023 thousand.

On July 29, 2020, the Board of Directors meeting resolved the retirement of treasury stock, totaling 25 thousand shares. The retirement date was set on July 29, 2020 and the registration was completed on August 4, 2020.

(D) 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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 reserve 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 2020 earnings distribution and dividends per share as approved by the shareholder’s meeting held on July 1, 2021 were as follows:

	Appropriation of earnings	Dividend per share (NTD)
	2020	2020
Legal reserve	\$5,632	
Special reserve	9,314	
Cash dividend on common stock	12,613	\$0.2
Share dividend on common stock	25,226	0.4

Please refer to Note 6 (16) for details on employees’ compensation and remuneration to directors and supervisors.

(12) 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 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 was as follows:

Type of grant	Date of grant	Total numbers of options granted (unit)	Contract period	Vesting Conditions
Restricted employee stock plan (Note 1)	December 5, 2018	1,500,000	28 months	Achievement of performance conditions (Note 2)

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Note 1: The restricted employee stock rights issued by the Company were not transferable during the contract period, but they did not restrict voting rights and included in the distribution of dividends. Employees who leave during the vested period were required to return the shares without the need to return the dividends obtained.

Note 2: A portion of the restricted employee stock would 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 would be 40%, 30% and 30% in each of the three periods.

The detailed information of upon share-based payment agreement is as follow:

	As of December 31,	
	2021	2020
	numbers (Thousand shares)	numbers (Thousand shares)
As of January 1	447	900
Issued	-	-
Cancelled	-	(6)
Less: vested	(447)	(447)
As of December 31	-	447

(B) The expenses recognized for employee services received for the years ended December 31, 2021 and 2020, are shown in the following table:

	For the years ended December 31,	
	2021	2020
Total expense arising from equity-settled share-based payment transactions	\$6,540	\$31,642

(13) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Rendering of service	\$366,290	\$428,552

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Analysis of revenue from contracts with customers during the years ended December 31, 2021 and 2020 are as follows:

(A) Disaggregation of revenue

	For the years ended	
	December 31,	
	2021	2020
Timing of revenue recognition:		
At a point in time	\$136,310	\$141,600
Over time	229,980	286,952
Total	<u>\$366,290</u>	<u>\$428,552</u>

(B) Contract balances

Net contract assets (liabilities) are as follows:

	Ending balance	Beginning balance	Difference	%
Contract assets, current	\$-	\$62,573	\$(62,573)	(100%)
Contract assets, noncurrent	35,046	25,842	9,204	35.6%
Contract liabilities, current	(107,176)	(6,039)	(101,137)	1,674.7%
Contract liabilities, noncurrent	(28,526)	-	(28,526)	-
Net contract assets	<u>\$(100,656)</u>	<u>\$82,376</u>	<u>\$(183,032)</u>	

Contract assets decreased by NT\$53,369 thousand from December 31, 2020 to December 31, 2021, mainly due to multiple contracts for film and television licensing in 2020 were entitled to the right to receive payment in current period, and NT\$15,773 thousand are classified to contract assets, non-current due to contract terms are more than one year.

Contract liabilities increased by NT\$129,663 thousand from December 31, 2020 to December 31, 2021 was mainly due to advance payment of profit sharing and licensing contract received in current period amounting to NT\$134,821, and some contracts are classified as contract liability, non-current as the predicted project launch will be more than one year later.

(C) Transaction price allocated to unsatisfied performance obligations

The Company's transaction price allocated to unsatisfied performance obligations amounted to NT\$135,702 thousand as of December 31, 2021. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

The Company's transaction price allocated to unsatisfied performance obligations amounted to NT\$6,039 thousand as of December 31, 2020. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

(14) Expected credit losses/ (gains)

	For the years ended December 31,	
	2021	2020
Operating expenses – Expected credit losses/(gains)		
Contract assets	\$3,999	\$-
Accounts receivable	(1,269)	(42,205)
Other receivables – Related party	-	7,533
Total	<u>\$2,730</u>	<u>\$(34,672)</u>

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 assessments of the Company's loss allowance as of December 31, 2021 and 2020 are as follows:

- (A) The gross carrying amount of contract assets are NT\$35,046 thousand and NT\$88,415 thousand as of December 31, 2021 and 2020, 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, details are as follow:

As of December 31, 2021

Group 1

	Not yet due (Note)	Overdue			Total	
		<=30 days	31-120 days	121-365 days		>=365 days
Gross carrying amount	\$36,304	\$1,294	\$108	\$428	\$-	\$38,134
Loss ratio	0.18%	4.56%	13.27%	56.71%	-%	
Lifetime expected credit losses	(65)	(59)	(14)	(243)	-	(381)
Subtotal	<u>\$36,239</u>	<u>\$1,235</u>	<u>\$94</u>	<u>\$185</u>	<u>\$-</u>	<u>\$37,753</u>

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As of December 31, 2020

Group 1

	Not yet due (Note)	Overdue			Total	
		<=30 days	31-120 days	121-365 days		>=365 days
		Gross carrying amount	\$69,326	\$2,526		\$2,655
Loss ratio	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-
Subtotal	\$69,326	\$2,526	\$2,655	\$59,634	\$-	\$134,141

Group 2

	Not yet due (Note)	Overdue			Total	
		<=30 days	31-120 days	121-365 days		>=365 days
		Gross carrying amount	\$36,995	\$521		\$-
Loss ratio	-%	-%	-%	-%	100%	
Lifetime expected credit losses	-	-	-	-	(1,650)	(1,650)
Subtotal	\$36,995	\$521	\$-	\$-	\$-	\$37,516
Total						\$171,657

Note: The Company's notes receivable are not overdue.

- (C) The Company measures the loss allowance of its other receivable at an amount equal to lifetime expected credit losses. The Company recognized NT\$0 thousand allowance loss as of December 31, 2021 and 2020.

The movement in the provision for impairment of contract assets and accounts receivable during the years ended December 31, 2021 and 2020 is as follows:

	Contract Assets	Accounts Receivable
As of January 1, 2021	\$-	\$1,650
Addition/(reversal) for the current period	3,999	(1,269)
Write off due to inability to receive	(3,999)	-
As of December 31, 2021	\$-	\$381
As of January 1, 2020	\$-	\$43,855
Addition/(reversal) for the current period	-	-
Write off due to inability to receive	-	(42,205)
As of December 31, 2020	\$-	\$1,650

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

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(15) Operating leases

A. Company as a lessee

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 5 years.

The Company's leases effect on 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,	
	2021	2020
Buildings	\$24,641	\$18,636

The Company's right-of-use assets increased by NT\$34,020 thousand and NT\$10,657 thousand and decreased by NT\$15,563 thousand and NT\$5,656 thousand as from January 1 to December 31, 2021 and 2020.

(b) Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	\$24,879	\$18,371
Current	\$9,568	\$9,388
Non-current	\$15,311	\$8,983

Please refer to Note 6 (17) (C) for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020 and Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

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

Depreciation expense of right-of-use assets

	As of December 31,	
	2021	2020
Buildings	\$12,452	\$16,712

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(C) Income and costs relating to leasing activities

	For the year ended December 31,	
	2021	2020 (Note)
The expenses relating to short-term leases	\$90	\$423
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	228	246

(D) Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounting to NT\$13,454 thousand and NT\$18,022 thousand, respectively.

(16) Summary statement of employee benefits, depreciation and amortization expense by function during the years ended December 31, 2021 and 2020:

	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating Costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$-	\$141,308	\$141,308	\$-	\$129,278	\$129,278
Labor and health insurance	-	10,506	10,506	-	10,023	10,023
Pension	-	5,430	5,430	-	5,474	5,474
Directors' remuneration	-	13,386	13,386	-	3,226	3,226
Other employee benefits expense	-	5,798	5,798	-	6,975	6,975
Depreciation	-	15,661	15,661	-	21,300	21,300
Amortization	-	3,293	3,293	-	11,189	11,189

The number of employees for the Company as of December 31, 2021 and 2020 was 129 and 130, respectively, of which the number of directors were not concurrent employees was 5 and 6, respectively.

The average number of employees for the Company in 2021 and 2020 was 128 and 132 respectively.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

The Company's average employee benefit expenses for the years ended December 31, 2021 and 2020 were NT\$1,274 thousand and NT\$1,149 thousand, respectively.

The Company's average salary expenses for the years ended December 31, 2021 and 2020 were NT\$1,104 thousand and NT\$979 thousand, respectively. The Company's average salary expenses adjustment for the year ended December 31, 2021 changed by 12.72 %.

There is no compensation to supervisors for the years ended December 31, 2021 and 2020, as the company set up an audit committee instead of appointing supervisors.

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, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 to be 3% 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, 2021 amount to NT\$31,925 thousand and NT\$10,642 thousand, respectively, and the Board of Directors meeting resolved the distribution on March 31, 2022.

Based on the profit for the year ended December 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2020 to be 3% 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, 2020 amount to NT\$2,939 thousand and NT\$980 thousand, respectively.

The Board of Directors meeting held on March 12, 2021 resolved to distribute NT\$2,939 thousand and NT\$980 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2020, with no material variance with the estimated amount accrued in the financial statements for the year ended December 31, 2020.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

The Company set the compensation policy for directors and employees, the amount of distributed compensation was determined by the salary price level of the industry, the responsibilities and authority of the position and the individual contribution to the operating goal. The determination of compensation to directors and executive officers is based on the operation results and contributions, domestic and foreign industry trends was considered also. The distribution of directors' and executive officers' compensations were approved through the compensation committee, and resolved by the meeting of the Board of Directors.

(17) Non-operating income and expenses

(A) Other income

	For the years ended	
	December 31,	
	2021	2020
Interest income		
Financial assets measured at amortized cost	\$135	\$154
Rental income	1,972	665
Tax refund	18	11,191
Government support income (Note)	-	8,424
Other income	13,179	1,998
Total	<u>\$15,304</u>	<u>\$22,432</u>

Note: The Government provided subsidies of salaries and operating funds due to the COVID-19 pandemic.

(B) Other gains and losses

	For the years ended	
	December 31,	
	2021	2020
Losses on disposal of property, plant and equipment	\$(3,276)	\$52
Gains on disposal of investments	(505)	-
Losses on lease modification	(609)	
Foreign exchange losses, net	(9,168)	(2,252)
Losses from financial assets at fair value through profit or loss	(4,971)	
Impairment loss from non-financial assets	(2,688)	-
Other	(1,297)	554
Total	<u>\$(22,514)</u>	<u>\$(1,646)</u>

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(C) Finance costs

	For the years ended December 31,	
	2021	2020
Interest on borrowings from bank	\$2,982	\$2,287
Interest on lease liabilities	578	373
Total	<u>\$3,560</u>	<u>\$2,660</u>

(18) Components of other comprehensive loss

For the year ended December 31, 2021:

	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	\$1,994	\$-	\$1,994	\$190	\$2,184
Unrealized gains or losses from financial assets at fair value through other comprehensive income	27,858	-	27,858	-	27,858
Share of remeasurements of defined benefit plans of associates and joint ventures accounted for using the equity method	2	-	2	-	2
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	9	-	9	-	9
Share of remeasurements of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	39	-	39	(7)	32
Share of unrealized gains or losses from financial assets at fair value through other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	(59)	-	(59)	-	(59)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	15,345	-	15,345	-	15,345
Share of exchange differences resulting from translating the financial statements of a foreign operation of associates and joint ventures accounted for using the equity method	(11)	-	(11)	-	(11)
Total of other comprehensive loss	<u>\$45,177</u>	<u>\$-</u>	<u>\$45,177</u>	<u>\$183</u>	<u>\$45,360</u>

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For the year ended December 31, 2020:

	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	\$89	\$-	\$89	\$-	\$89
Unrealized gains or losses from financial assets at fair value through other comprehensive income	8,897	-	8,897	-	8,897
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	(1,586)	-	(1,586)	-	(1,586)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(16,625)	-	(16,625)	-	(16,625)
Total of other comprehensive loss	<u>\$ (9,225)</u>	<u>\$-</u>	<u>\$ (9,225)</u>	<u>\$-</u>	<u>\$ (9,225)</u>

(19) Income tax

The major components of income tax expense for the years ended 31 December 2021 and 2020 are as follows:

(A) Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current income tax expense:		
Current income tax charge	\$265,808	\$22,587
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	12,194	14,586
Total income tax (income) expense	<u>\$278,002</u>	<u>\$37,173</u>

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(B) Income tax expense recognized in other comprehensive income

	For the years ended December 31,	
	2021	2020
Deferred tax expense (income)		
Remeasurements of defined benefit plans	\$190	\$-

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

	For the years ended December 31,	
	2021	2020
Accounting profit before tax from continuing operations	\$1,021,585	\$94,069
Tax at the domestic rates applicable to profits in the country concerned	\$204,317	\$18,814
Tax effect of revenues exempt from taxation	5,755	(7,099)
Tax effect of non-deductible expenses from taxation	123,466	12,906
Tax effect of deferred tax assets/liabilities	(82,360)	(10,035)
Overseas withholding tax	26,824	22,587
Total income tax expense recognized in profit or loss	\$278,002	\$37,173

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance as of January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31, 2021
Temporary differences				
Unrealized foreign exchange losses	\$534	\$444	\$-	\$978
Unrealized foreign exchange gains	(40)	35	-	(5)
Defined benefit liability, non-current	3,591	(32)	190	3,749
Others	1,449	(169)	-	1,280
Unused tax losses	12,472	(12,472)	-	-
Deferred tax income/ (expense)		\$(12,194)	\$190	
Net deferred tax assets/(liabilities)	\$18,006			\$6,002
Reflected in balance sheet as follows:				
Deferred tax assets	\$18,046			\$6,007
Deferred tax liabilities	\$40			\$5

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For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Recognized in profit or loss	Ending balance as of December 31, 2020
Temporary differences			
Unrealized bad debt expense	\$8,427	\$(8,427)	\$-
Unrealized foreign exchange losses	1,230	(696)	534
Unrealized foreign exchange gains	(707)	667	(40)
Defined benefit liability, non-current	3,591	-	3,591
Others	(670)	2,119	1,449
Unused tax losses	20,721	(8,249)	12,472
Deferred tax income/ (expense)		\$(14,586)	
Net deferred tax assets/(liabilities)	\$32,592		\$18,006
Reflected in balance sheet as follows:			
Deferred tax assets	\$33,969		\$18,046
Deferred tax liabilities	\$1,377		\$40

The information of the unused tax losses is as follows:

Year	Tax losses for the period	Unused tax losses		Expiration year
		As of December 31,		
		2021	2020	
2019		\$-	\$124,727	2029
		\$-	\$124,727	

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets have not been recognized in respect of unused tax losses and deductible temporary differences amounting to NT\$0 thousand and NT\$12,473 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As of December 31, 2021, the income tax returns of the Company have been assessed and approved up to 2019.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(20) 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,	
	2021	2020
(A) Basic earnings per share		
Net income attributable to ordinary equity holders of the Company (in thousand NT\$)	\$743,583	\$56,896
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,434	64,988
Basic earnings per share (NT\$)	\$11.36	\$0.88
(B) Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$743,583	\$56,896
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,434	64,988
Effect of dilution:		
Restricted employee stock	153	535
Employee compensation-stock (in thousands)	325	161
Weighted average number of ordinary shares outstanding after dilution (in thousands)	65,912	65,684
Diluted earnings per share (NT\$)	\$11.28	\$0.87

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

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Tokyo Fashion Co., Ltd. (Note 1)	The chairman of the Company and the director of this company are second-degree relatives
Newlogistics Co., Ltd. (Note 2)	The chairman of the Company and the director of this company are second-degree relatives
Galaxy Power Holdings Limited	The chairman of the Company and the key management personnel of this company are second-degree relatives
Global Angel Investments Limited	The chairman of the Company is the chairman of this company
Bacchus Wine Group Co., Ltd.	The chairman of the Company is the chairman of this company
Care & Love Wine Co., Ltd.	The chairman of the Company is the chairman of this company
Angel (USA) Investments Limited	The chairman of the Company is the chairman of this company
Major Power Investment Co., Ltd.	The chairman of the Company is the chairman of this company
Channel First Investment Corp.	The chairman of the Company is the chairman of this company
Loftstar Interactive Entertainment Inc.	Subsidiary
Gamebase Digital Media Corporation	Subsidiary
Time Vision International Limited (TVI)	Subsidiary
Uniplus Electronics Co., Ltd. (Note 3)	Subsidiary
Activision Entertainment Ltd.	Subsidiary
Kobe Co., Ltd.	Subsidiary
Softstar Creative Inc. (Note 4)	Subsidiary
Softstar International Inc. (Note 5)	Subsidiary
A.R.T. Games Co., Ltd.	Associate
Softstar Technology (Shanghai) Co., Ltd. (Note 6)	Associate
Softstar Technology (Beijing) Co., Ltd. (Note 6)	Associate
Chander Electronics Corp. (Note 7)	Associate
Double Edge Entertainment Corp.	Other related parties

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- Note 1 : Due to change of the chairman of the board on September 18, 2020, Tokyo Fashion Co., Ltd. was no longer a related party of the Company since September 18, 2020.
- Note 2 : Due to the change of the chairman of the board on September 18, 2020, and the registration was completed on February 25, 2021. Newlogistics Co., Ltd. was no longer a related party of the Company since February 25, 2021.
- Note 3 : Uniplus Electronics Co., Ltd. was consolidated from the control acquisition date, thus Uniplus Electronics Co., Ltd. was changed to the Company's subsidiary from an associate.
- Note 4 : Softstar Creative Inc. was dissolved in December 2020, the liquidation was completed on August 17, 2021, and was no longer a related party of the Company.
- Note 5 : Softstar International Inc. (SII) was no longer a related party of the Company since November 2021, the Company lost its control.
- Note 6 : The shareholders' meeting of the Company held in August 2021 approved to sell the interests of Softstar Technology (Shanghai) Co., Ltd. and Softstar Technology (Beijing) Co., Ltd. The settlement of securities was completed on November 25, 2021, thus they were no longer the related parties of the Company since November 25, 2021.
- Note 7 : The Company directly and indirectly holds 17.14% of Chander Electronics Corp.'s shares from October 2021. Chander Electronics Corp. was changed to the Company's associate from other related party since October 18, 2021.

Significant transactions with the related parties

(1) Rendering of services

	For the years ended	
	December 31,	
	2021	2020
Subsidiary		
Loftstar Interactive Entertainment Inc.	\$48,513	\$60,317
Gamebase Digital Media Corporation	4,980	
Other related parties		
Bacchus Wine Group Co., Ltd.	1,714	-
Galaxy Power Holdings Limited	686	
Care & Love Wine Co., Ltd.	570	-
Total	<u>\$56,463</u>	<u>\$60,317</u>

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.

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(2) Operating costs

	For the years ended December 31,	
	2021	2020
Subsidiary		
Loftstar Interactive Entertainment Inc.	\$10,297	\$17,086

Operating costs relate to subsidiary database fees and royalty costs.

(3) Accounts receivable-related parties

	As of December 31,	
	2021	2020
Subsidiary		
Loftstar Interactive Entertainment Inc.	\$11,649	\$31,277
Other related parties		
Bacchus Wine Group Co., Ltd.	150	-
Galaxy Power Holdings Limited	75	-
Care & Love Wine Co., Ltd.	74	-
Total	\$11,948	\$31,277

(4) Contract assets

	As of December 31,	
	2021	2020
Subsidiary		
Loftstar Interactive Entertainment Inc.	\$-	\$9,355

(5) Other receivables-related parties

	As of December 31,	
	2021	2020
Subsidiary		
Time Vision International Limited (TVI)	\$276,800	\$-
Loftstar Interactive Entertainment Inc.	1,154	1,070
Other related parties		
Chander Electronics Corp.	44	-
Total	\$277,998	\$1,070

Other receivables-related parties mainly related to refund of capital reduction, subsidiary assistance of daily operations, and sale of fixed asset.

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(6) Prepayment

	As of December 31,	
	2021	2020
Associate		
A.R.T. Games Co., Ltd.	\$972	\$-
Global Angel Investments Limited	165	165
Total	<u>\$1,137</u>	<u>\$165</u>

Prepayment-related parties mainly related to game outsourcing costs, licensing fees and rent prepayment.

(7) Refundable deposits

	As of December 31,	
	2021	2020
Other related parties		
Bacchus Wine Group Co., Ltd.	<u>\$495</u>	<u>\$-</u>

(8) Accounts payable-related parties

	As of December 31,	
	2021	2020
Subsidiary		
Loftstar Interactive Entertainment Inc.	<u>\$2,207</u>	<u>\$2,686</u>

(9) Other payables-related parties

	As of December 31,	
	2021	2020
Subsidiary		
Softstar International Inc.	<u>\$-</u>	<u>\$256</u>

(10) Other current liabilities

	As of December 31,	
	2021	2020
Subsidiary		
Softstar International Inc.	<u>\$18</u>	<u>\$188</u>

(11) Property transactions

The Company sold property, plant and equipment to the related parties, the amount is as follows:

	As of December 31,	
	2021	2020
Other related parties		
Chander Electronics Corp.	\$44	\$-

(12) Lease-related parties

A. Right-of-use assets

	As of December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	\$-	\$10,511

B. Lease liabilities

	As of December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	\$-	\$10,674

C. Interest expense

	As of December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	\$149	\$-

(13) The Board of Directors of the Company held on August 12, 2021 resolved to acquire 33,632 thousand shares of Uniplus Electronics Co., Ltd. from its related parties, Channel First Investment Corp., Global Angel Investments Limited, Major Power Investment Co., Ltd, Chander Electronics Corp., with a total transaction amount of NT\$190,000 thousand, accounting for 18.67% of Uniplus Electronics Co., Ltd.'s issued ordinary shares.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(14) The Board of Directors of the Company held on October 8, 2021 resolved to increase its shareholdings of Chander Electronics Corp. for the sake of business diversification and strategy, and the accumulated shareholdings raised to 17.14%.

(A) Purchased 4,728,088 shares of Chander Electronics Corp. with a total transaction amount of NT\$89,834 thousand from Major Power Investment Co., Ltd. in October 2021.

(B) Acquired 100% of New Profit Holding Limited's shares with a total transaction amount of NT\$24,213 thousand from Angel (USA) Investments Limited, which indirectly holds 1,274,346 shares of Chander Electronics Corp. in October 2021.

(C) Acquired 100% of the subsidiaries of Uniplus Electronics Co., Ltd., JFN Investment Holding Corp., Jiwei Technology Ltd.'s, Lanjing Ltd.'s shares, with a total 5,764,508 shares of Chander Electronics Corp. in October 2021.

(15) Other

Other transactions between the Company and subsidiaries are shown below:

Item	For the years ended	
	December 31,	
	2021	2020
Other income	\$4,620	\$4,138
Rental income	1,972	665
Rental expense	114	-
Sales and marketing expenses	-	5,067
Total	<u>\$6,706</u>	<u>\$9,870</u>

Other transactions between the Company and associate are shown below:

Item	For the years ended	
	December 31,	
	2021	2020
Entertainment expenses	\$106	\$-
Miscellaneous expenses	-	65
Total	<u>\$106</u>	<u>\$65</u>

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Other transactions between the Company and other related parties are shown below:

Item	For the years ended December 31,	
	2021	2020
Entertainment expenses	\$202	\$200
Miscellaneous expenses	44	-
Service fee	-	952
Postage fee	-	14
Rental expenses	4	-
Interest income	(4)	-
Total	<u>\$246</u>	<u>\$1,166</u>

(16) Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$40,531	\$18,782
Post-employment benefits	365	350
Share-based payment	4,020	9,725
Other long-term benefits	299	474
Total	<u>\$45,215</u>	<u>\$29,331</u>

8. Assets pledged as security

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

Items	Carrying amount		Secured liabilities
	December 31, 2021	December 31, 2020	
Other financial assets current-demand deposits	\$11,429	\$14,031	Current portion of long-term borrowings
Other financial assets, noncurrent-demand deposits	29,006	27,000	Long - term borrowings
Total	<u>\$40,435</u>	<u>\$41,031</u>	

9. Commitments and contingencies

None.

10. Loss due to major disasters

None.

11. Significant subsequent events

- (1) The Company increased the capital of its subsidiary, Jiwei Technology Ltd., in cash amounted to NT\$101,000 thousand. On March 16, 2022, Jiwei Technology Ltd. acquired 50% of Array Holdings for APGFIII Fund LPs' shares, which contributed to 20.71% shareholdings of a company listing on the TPEX in Taiwan, Array Inc. (ticker symbol: 3664), with 10,586 thousand shares. The settlement of securities was completed.
- (2) The Board of Directors meeting of the Company held on March 30, 2022 resolved to acquire 12,998 thousand more shares of Chander Electronics Corp., and the total shareholdings will be increased from 17.14% to 36.07% accordingly.

12. Others

(1) Categories of financial instruments

<u>Financial assets</u>	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets at fair value through profit or loss	\$37,894	\$-
Financial assets at fair value through other comprehensive income	77,658	50,183
Financial assets measured at amortized cost (Note 1)	914,154	388,120
Total	<u>\$1,029,706</u>	<u>\$438,303</u>
<u>Financial liabilities</u>	<u>As of December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial liabilities at amortized cost:		
Accounts payable	\$91,127	\$110,369
Long-term borrowings (including current portion)	150,151	131,318
Lease liabilities	24,879	18,371
Total	<u>\$266,157</u>	<u>\$260,058</u>

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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(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 activities. 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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, 2021 and 2020 is decreased/increased by NT\$5,295 thousand and decreased/increased by NT\$311 thousand, respectively.
- (B) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2021 and 2020 is decreased/increased by NT\$911 thousand and NT\$2,165 thousand, respectively.

Interest rate risk

The interest rate risk is the risk that the fluctuation of fair value and future cash flow of financial instruments caused by the movement of the market interest rate. The Group's interest rate risk arises from the investments of floating rate debt instruments, fixed rate borrowings, and floating rate borrowings.

The Group managed interest rate risk by sustaining appropriate combination of fixed and floating interest rate, but it's not applicable to hedge accounting because of not meeting the criteria of hedge accounting.

The sensitivity analysis of the interest rate risk pertains primarily to the interest rate exposure items at the end of financial statement reporting period, including floating rate borrowings. Assuming holding in a whole fiscal year, an increase/ decrease of 10% in interest rate, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by NT\$150 and NT\$131 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.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

As of December 31, 2021 and 2020, 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 will be increase/decrease by NT\$413 thousand and NT\$384 thousand on the equity attributable to the Company for the years ended December 31, 2021 and 2020, 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, 2021, and December 31, 2020, accounts receivable and contract assets from top ten customers represent 46.36% and 36.93% 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.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Non-derivative financial liabilities

	Less than				
	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2021					
Accounts payable					
(including other payables)	\$91,127	\$-	\$-	\$-	\$91,127
Long-term borrowings					
(including estimated interest)	77,627	48,039	27,492	-	153,158
Lease liabilities (Note)	10,048	15,561	-	-	25,609
As of December 31, 2020					
Accounts payable					
(including other payables)	\$110,369	\$-	\$-	\$-	\$110,369
Long-term borrowings					
(including estimated interest)	67,229	40,505	26,305	-	133,939
Lease liabilities (Note)	9,971	3,771	3,771	1,886	19,399

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, 2021:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	\$-	\$131,318	\$18,371	\$149,689
Cash flows	-	18,833	(13,136)	5,697
Non-cash changes	-	-	19,644	19,644
As of December 31, 2021	\$-	\$150,151	\$24,879	\$175,030

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	\$-	\$107,742	\$30,328	\$138,070
Cash flows	-	23,576	(17,353)	6,223
Non-cash changes	-	-	5,396	5,396
As of December 31, 2020	\$-	\$131,318	\$18,371	\$149,689

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(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).

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(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, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	\$-	\$-	\$37,894	\$37,894
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$4,134	-	73,524	\$77,658

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As of December 31, 2020

	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	\$3,814	\$-	\$46,369	\$50,183

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, 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	Measured at fair value through other comprehensive income
	Fund	Stocks
Beginning balances as of January 1, 2021	\$-	\$46,369
Total gains and losses recognized for the year ended December 31, 2021		
Amount recognized in net income (presented in “Unrealized gains (losses) from financial asset at fair value through profit or loss)	(4,971)	-
Amount recognized in OCI (presented in “Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	-	26,283
Acquired in 2021	42,865	872
Ending balances as of December 31, 2021	<u>\$37,894</u>	<u>\$73,524</u>

	Assets
	Measured at fair value through other comprehensive income
	Stocks
Beginning balances as of January 1, 2020	\$35,923
Total gains and losses recognized for the year ended December 31, 2020	
Amount recognized in OCI (presented in “Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	10,446
Ending balances as of December 31, 2020	<u>\$46,369</u>

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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, 2021

	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\$7,352 thousand

As of December 31, 2020

	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\$4,637 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.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(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, 2021		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$19,224	27.68	532,129
RMB	21,068	4.34	91,436
<u>Financial liabilities</u>			
Monetary items:			
USD	\$94	27.68	\$2,603
RMB	73	4.34	316
	December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$1,314	28.49	\$37,431
RMB	49,440	4.38	216,548
<u>Financial liabilities</u>			
Monetary items:			
USD	\$222	28.48	\$6,327
RMB	-	-	-

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 years ended December 31, 2021 and 2020, foreign exchange losses were NT\$9,168 thousand and NT\$2,252 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 7.
- (B) Endorsement/Guarantee provided to others: None
- (C) Securities held (excluding subsidiaries, associates and joint venture): Please refer to Attachment 1.
- (D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million and 20 percent of the capital stock: Please refer to Attachment 2.
- (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: Please refer to Attachment 8.
- (H) Receivables from related parties with amounts exceeding the lower of NT\$100 million and 20 percent of capital stock: Please refer to Attachment 9.
- (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 3.

(2) Information on investees

Names, locations, and other information (excluding investment in Mainland China): Please refer to Attachment 4.

(3) Information on investments in mainland China

- (A) Basic information: Please refer to Attachment 5.
- (B) Directly or indirectly significant transactions through third regions with the investees in Mainland China: None

(4) Information on major shareholders

Information on major shareholders: Please refer to Attachment 6.

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ATTACHMENT 1: Securities held as of December 31, 2021

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, 2021				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	\$67,397	19.48%	\$67,397	None
Softstar Entertainment Inc.	Stock	Taiwan Smart Card Co.	-	Financial assets at fair value through other comprehensive income, non-current	2,552	3,084	15.95%	3,084	None
Softstar Entertainment Inc.	Stock	Double Edge Entertainment Corp.	Other related party	Financial assets at fair value through other comprehensive income, non-current	566	3,043	17.43%	3,042	None
Softstar Entertainment Inc.	Stock	Funfia Inc.	-	Financial assets at fair value through other comprehensive income, non-current	600	-	11.51%	-	None
Softstar Entertainment Inc.	Emerging stock	SNSplus Inc.	-	Financial assets at fair value through other comprehensive income, non-current	266	4,134	1.78%	4,134	None
Softstar Entertainment Inc.	Listed stock	Newretail Co., Ltd.	-	Other receivables	1,315	14,314	2.74%	14,314	None
Softstar Entertainment Inc.	Fund	Cathay Private Equity Ecology Limited Partnership	-	Financial assets at fair value through profit or loss, non-current	-	23,097	16.21%	23,097	None
Softstar Entertainment Inc.	Fund	Cathy Private Equity Smart Technology Limited Partnership	-	Financial assets at fair value through profit or loss, non-current	-	14,797	7.14%	14,797	None
Mega Media Group Limited	Stock	BLC Group Holding Limited	-	Financial assets at fair value through other comprehensive income, non-current	678	20,000	8.82%	20,000	None
Mega Media Group Limited	Stock	Boom Fintech Inc.	-	Financial assets at fair value through other comprehensive income, non-current	250	-	9.22%	-	None
						<u>\$149,866</u>			

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.

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ATTACHMENT 2: Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital

Purchaser/Seller	Marketable securities type and name (Note1)	Financial statement account	Counterparty	Relationship	Beginning balance		Acquisition		Disposal				Beginning balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying value	Gain/Loss on disposal	Shares/Units	Amount (Note3)
Softstar Entertainment Inc.	Uniplus Electronics Co., Ltd.	Investments accounted for using the equity method	Note2	-	2,000	\$12	61,953,433	\$350,000	-	\$-	\$-	\$-	61,955,433	\$364,989
Time Vision International Limited	Best Classic International Limited	Investments accounted for using the equity method	Note4	-	-	-	-	456,535 (Note5)	-	256,106	456,535	(200,429)	-	-
Time Vision International Limited	Mighty Leader Limited	Investments accounted for using the equity method	Note4	-	-	-	-	- (Note6)	-	1,424,600	-	1,424,600	-	-

Note 1: Securities refers to stocks, bonds, beneficiary certificates, and securities derived from items listed above.

Note 2: In January 2021, the Board of Directors meeting resolved to acquire 28,321,569 shares of Uniplus Electronics Co., Ltd. in a private placement from Derlin Biotech Corp. and Youder Investment Co., Ltd., with a total transaction amount of NT\$160,000 thousand and 5.72% shareholdings.

In August 2021, the Board of Directors meeting resolved to acquire 33,631,864 shares of Uniplus Electronics Co., Ltd. from its related parties, Channel First Investment Corp., Global Angel Investments Limited, Major Power Investment Co., Ltd, Chander Electronics Corp., with a total transaction amount of NT\$190,000 thousand in exchange of 18.67% of Uniplus Electronics Co., Ltd.'s issued ordinary shares.

According to above-mentioned purchases, the Company obtained 61,953,433 shares with a total amount of NT\$350,000 thousand and the accumulated shareholdings was 34.39%.

Note 3: The Company recognized loss on the disposal of investment in NT\$505 thousand and share of gain of associates and joint ventures accounted for using the equity method of NT\$3,779 thousand, which contained the investment income of NT\$541 thousand recognized before Uniplus Electronics Co., Ltd. was consolidated, and the investment income of NT\$3,238 thousand recognized based on 34.39% of shareholdings after it was consolidated.

Note 4: On July 1, 2021, the shareholders' meeting of the Company approved to dispose the material assets, the interests of Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only) through its subsidiary, Time Vision International Limited.

Time Vision International Limited has disposed its subsidiary, Best Classic International Limited, to transfer 49% shareholdings of Softstar Technology (Beijing) Co., Ltd. and disposed another subsidiary, Mighty Leader Limited, to transfer the IP of Chinese Paladin (in Mainland China only) to CMGE.

Note 5: On April 12, 2021, the Company restructured its organization by establishing two offshore subsidiaries, Time Vision International Limited (TVI) and Best Classic International Limited (BCI). The Company's subsidiary, Softstar International Inc. was directly held by

Time Vision International Limited (TVI) and Best Classic International Limited (BCI) after re-organization. Best Classic International Limited (BCI) was sold to CMGE Technology Group Limited in December 2021.

Note 6: Time Vision International Limited invested Mighty Leader Limited at a price of the IP of Chinese Paladin in China.

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Attachment 3: 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
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Operating Revenue	\$48,513	Negotiated by both parties	8.67%
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Operating Costs	10,297	Negotiated by both parties	1.84%
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Accounts Receivable	11,649	Negotiated by both parties	0.39%
0	Softstar Entertainment Inc.	Gamebase Digital Media Corporation	1	Operating Revenue	4,980	Negotiated by both parties	0.17%
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	1	Operating Revenue	212,342	Negotiated by both parties	37.96%
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	1	Rental Income	1,105	Negotiated by both parties	0.20%
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	1	Accounts Receivable	127,375	Negotiated by both parties	4.24%
1	Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	1	Rental Income	183	Negotiated by both parties	0.03%
1	Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	1	Other Income	4	Negotiated by both parties	0.00%
1	Uniplus Electronics Co., Ltd.	Jiu He Yi Technology Co., Ltd.	1	Rental Income	19	Negotiated by both parties	0.00%
1	Hang Zheng Technology Co., Ltd.	Uniplus Electronics Co., Ltd.	2	Sales Revenue	4,385	Negotiated by both parties	0.78%
1	Green Bless Co., Ltd.	Uniplus Electronics Co., Ltd.	2	Sales Revenue	1	Negotiated by both parties	0.00%

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 or assets. 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.

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ATTACHMENT 4: 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, 2021			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.	Loftstar Interactive Entertainment Inc.	Taiwan	Software wholesale and information software services	\$58,500	\$95,000	5,850	100%	\$20,843	\$(14,610)	\$(14,610)	Subsidiary
Softstar Entertainment Inc.	Activision Entertainment Ltd.	Taiwan	Performing arts	6,000	13,500	-	100%	1,801	(4,075)	(4,075)	Subsidiary
Softstar Entertainment Inc.	Sofstar Creative Inc.	Taiwan	Network software development and technical services	-	47,000	-	0%	-	(1,165)	(1,165)	(Note4)
Softstar Entertainment Inc.	Kobe Co., Ltd.	Taiwan	Investment holding	-	98,792	-	-	-	(56)	(56)	(Note5)
Softstar Entertainment Inc.	Gamebase Digital Media Corporation	Taiwan	Software publishing and information software services	138,000	60,000	14,200	100%	137,147	(9,051)	(8,920)	Subsidiary
Softstar Entertainment Inc.	Softstar Animation Limited	Samoa	Investment holding	29,888	29,888	980	100%	5,621	(224)	(967)	Subsidiary
Softstar Entertainment Inc.	A.R.T. Games Co., Ltd.	Taiwan	Network software development and technical services	12,250	12,250	1,225	49.00%	3,423	10,141	4,969	Investee accounted for using the equity method
Softstar Entertainment Inc.	Chia-e International Inc.	Taiwan	Investment holding	20,000	20,000	814	28.21%	-	(3,537)	-	Investee accounted for using the equity method
Softstar Entertainment Inc.	Time Vision International Limited	Samoa	Investment holding	499,922	-	2	100.00%	453,188	(586,411)	1,013,409	Subsidiary
Softstar Entertainment Inc.	Uniplus Electronics Co., Ltd.	Taiwan	Electronic Parts/Components	350,012	-	61,955	34.39%	364,989	12,901	3,779	Subsidiary(Note6)
Softstar Entertainment Inc.	New Profit Holding Ltd.	Seychelles	Investment holding	24,501	-	1,610	100.00%	24,282	1,668	(238)	Subsidiary
Softstar Entertainment Inc.	JFN Investment Holding Corp.	BVI	Investment holding	71,830	-	12	100.00%	71,362	(753)	(641)	Subsidiary(Note10)
Softstar Entertainment Inc.	Lanjing Ltd.	Taiwan	Investment holding	20,216	-	-	100%	20,038	(178)	(174)	Subsidiary(Note10)
Softstar Entertainment Inc.	Jiwei Technology Ltd.	Taiwan	Investment holding	17,480	-	-	100%	17,325	(156)	(151)	Subsidiary(Note10)
Softstar Entertainment Inc.	Chander Electronics Corp.	Taiwan	Electronic Products Distribution	89,834	-	4,728	6.89%	89,121	(35,772)	(713)	Investee accounted for using the equity method
Lanjing Ltd.	Chander Electronics Corp.	Taiwan	Electronic Products Distribution	20,216	-	1,064	1.54%	20,043	(35,772)	(173)	Investee accounted for using the equity method
Jiwei Technology Ltd.	Chander Electronics Corp.	Taiwan	Electronic Products Distribution	17,480	-	920	1.34%	17,329	(35,772)	(151)	Investee accounted for using the equity method
New Profit Holding Ltd.	Chander Electronics Corp.	Taiwan	Electronic Products Distribution	24,213	-	1,274	1.86%	24,003	(35,772)	(209)	Investee accounted for using the equity method
JFN Investment Holding Corp.	Chander Electronics Corp.	Taiwan	Electronic Products Distribution	71,830	-	3,781	5.51%	71,210	(35,772)	(621)	Investee accounted for using the equity method
Time Vision International Limited	Mighty Leader Limited	Samoa	Investment holding	-	-	-	-	-	(Note7)	-	(Note7)
Time Vision International Limited	Best Classic International Limited	Samoa	Investment holding	-	-	-	-	-	(Note7)	-	(Note7)
Best Classic International Limited	Sofstar International Inc.	Cayman Island	Investment holding	-	-	-	-	-	(Note7)	-	(Note7)
Sofstar International Inc.	Sofstar Global Inc.	Mauritius	Investment holding	-	162,277	-	-	-	-	-	(Note8)
Gamebase Digital Media Corporation	Niusnews Co., Ltd.	Taiwan	Advertisement and information software services	34,980	-	318	8.93%	34,980	(Note11)	-	Indirect subsidiary(Note9)
Gamebase Digital Media Corporation	Mega Media Group Limited	Seychelles	General investment	93,264	-	2,800	100.0%	93,264	(2)	-	Indirect subsidiary(Note9)
Mega Media Group Limited	Niusnews Co., Ltd.	Taiwan	Advertisement and information software services	73,260	-	666	18.7%	73,260	(Note11)	-	Indirect subsidiary
Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	Taiwan	Beauty and skincare products	94,736	85,736	2,900	100.0%	26,137	(4,953)	(7,451)	Indirect subsidiary
Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Taiwan	Wholesale of electronic equipments	10,000	10,000	1,000	100.0%	8,933	1,091	1,091	Indirect subsidiary
Uniplus Electronics Co., Ltd.	JFN Investment Holding Corp.	BVI	Investment	-	-	-	-	-	1,716	(112)	(Note10)
Uniplus Electronics Co., Ltd.	Jiu He Yi Technology Co., Ltd.	Taiwan	Wholesale of electronic equipments	21,000	-	2,100	100.0%	20,956	(44)	(44)	Indirect subsidiary
Uniplus Electronics Co., Ltd.	Lanjing Ltd.	Taiwan	Investment	-	-	-	-	-	512	(5)	(Note10)
Uniplus Electronics Co., Ltd.	Jiwei Technology Ltd.	Taiwan	Investment	-	-	-	-	-	445	(5)	(Note10)

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.

Note 3: Included the investment loss (5,372) thousand and the amortization of differences in equity (1,873) thousand.

Note 4: Softstar Creative Inc. was dissolved in December 2020, and the liquidation was completed on August 17, 2021.

Note 5: Kobe Co., Ltd. was dissolved in November 2021, and is still in the liquidation process.

Note 6: The Company recognized the investment income consisted of the investment income amounted to NTS\$41 thousand recognized before Uniplus Electronics Co., Ltd. was consolidated, and the investment income amounted to NTS\$3,238 thousand recognized based on 34.39% of shareholdings after it was consolidated.

Note 7: Mighty Leader Limited, Best Classic International Limited, and Sofstar International Inc. were established in 2021, and were disposed on November 25, 2021, thus the information pertaining to net income (loss) of the investee for the year ended December 31, 2021 was not available.

Note 8: Sofstar Global Inc. had applied for cancellation in October, 2020, and the cancellation was completed on November 16, 2021.

Note 9: Gamebase Digital Media Corporation acquired 8.93% shareholdings of Niusnews Co., Ltd. and 100% shareholdings of Mega Media Group Limited at the end of 2021, indirectly holding 18.7% shareholdings of Niusnews Co., Ltd. through Mega Media Group Limited.

Note 10: JFN Investment Holding Corp., Lanjing Ltd., and Jiwei Technology Ltd. became the subsidiaries of the Company in November 2021.

Note 11: Niusnews Co., Ltd. was acquired at the end of December 2021, thus the information pertaining to net income (loss) of the investee was not available.

ATTACHMENT 5: 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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (loss) of investee Company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021	Note (Note 2(2))
					Outflow	Inflow							
Softstar Technology (Beijing) Co., Ltd.	Information processing service	\$32,856	2	\$32,856	\$-	\$-	\$32,856	(Note4)	-	\$(84,287)	\$-	\$-	C
Softstar Technology (Shanghai) Co., Ltd.	Information processing service	134,694	2	22,294	-	-	22,294	(Note4)	-	(28,228)	-	-	C

2. Investment quota for Mainland China:

Accumulated investment in Mainland China as of December 31, 2021	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment in accordance with Ministry of Economic Affairs regulations (Note 5)
\$55,150	\$285,526	\$1,283,272

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 NTD.

Note 4: The shares of Softstar Technology (Beijing) Co., Ltd. and Softstar Technology (Shanghai) Co., Ltd. were disposed on November 25, 2021, thus the information pertaining to net income (loss) of the investee was not available.

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.

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

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

Attachment 6: Major shareholder information

Name	Shares	Holding shares	Holding percentage(%)
Angel Fund (ASIA) Investments Limited		6,628,195	10.10%
Investment Account in Yuanta Commercial Bank entrusted by Fulong Group Co., Ltd.		3,994,045	6.08%
Global Angel Investments Limited		3,594,639	5.48%

Attachment 7: Loans to others

NO. (Note1)	Creditor	Borrower	General ledger account	Is a related party	Maximum amount of current period	Ending Balance	Actual amount drawn down (Note4)	Interest rate	Nature of loan (Note2)	Amount of transaction with borrower	Reason for short-term financing (Note6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note3)	Ceiling on total loans granted (Note3)
													Item	Value		
1	Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	Other Receivables - related parties	Yes	\$10,000	\$10,000	\$-	-%	2	\$-	Operating capital	\$-	-	\$-	\$287,944	\$287,944

Note 1: The number filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

Note 2: The number filled in for nature of loan are as follows:

- (1) Business transaction is "1".
- (2) Short-term financing is "2".

Note 3: The limit on loans granted to a single party of Uniplus Electronics Co., Ltd. should not exceed 40% of its net worth.

Note 3: Written-off when preparing the consolidated statement.

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SOFTSTAR ENTERTAINMENT INC.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in thousands of NTD unless otherwise stated)

Attachment 8: Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note1)		Notes/accounts receivable (payable)		Note
			Purchases/ sales	Amount	Percentage of total purchases/ sales	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Subsidiary	Sales	\$212,342	37.96%	According to the agreement	The transaction price and payment terms are not materially different from the third party.	According to the agreement	Account receivables \$127,375	 76.62%	Note

Note: Written-off when preparing the consolidated statement.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
(Expressed in thousands of NTD unless otherwise stated)

Attachment 9: Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

Creditor	Counterparty	Relationship with the counterparty	Balance of receivables from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	Note
					Amount	Action taken			
Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Subsidiary	\$127,375	3.33	\$-	-	\$23,409	\$-	

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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SOFTSTAR ENTERTAINMENT INC.

1. Statement of cash and cash equivalents

December 31, 2021

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Cash on hand	Including USD \$2,500.00 CNY \$8,000.00	\$237	1. No bank deposits listed in the left column were pledged.
Checking accounts			2. As of December 31, 2021
Demand deposits	Including USA \$8,688,352,85 CNY \$11,475,480.46	539,161	Exchange rate: USD1 = NTD 27.68 CNY1 = NTD 4.34
Total		<u>\$539,398</u>	

SOFTSTAR ENTERTAINMENT INC.

2. Statement of contract assets

December 31, 2021

In Thousands of New Taiwan Dollars

Customer name	Description	Amount	Note
Current			
Third Parties		\$-	
Related Parties		-	
Total		<u>\$-</u>	
Non-Current			
Third Parties			
Customer A		\$11,935	
Customer B		10,742	
Customer C		5,859	
Customer D		3,580	
Customer E		2,930	
Total		<u>\$35,046</u>	

SOFTSTAR ENTERTAINMENT INC.

3. Statement of accounts receivable, net

December 31, 2021

In Thousands of New Taiwan Dollars

Customer name	Description	Amount	Note
Third Parties			
Customer F		\$14,318	
Customer G		4,682	
Customer H		3,426	
Others	The amount of individual customer in others does not exceed 5% of the account balance.	3,760	
Total		<u>26,186</u>	
Less: loss allowance		<u>(381)</u>	
Net amount		<u><u>\$25,805</u></u>	

SOFTSTAR ENTERTAINMENT INC.

4. Statement of financial assets at fair value through profit or loss

For the Year Ended December 31, 2021

In Thousands of Shares/ New Taiwan Dollars

Item	Beginning Balance		Addition		Decrease		Valuation	Ending Balance		Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount	Amount	Shares	Fair Value		
Cathy Private Equity Ecology Limited Partnership	-	\$-	27,865	\$27,865	-	\$-	\$(4,768)	27,865	\$23,097	None	
Cathy Private Equity Smart Technology Limited Partnership	-	-	15,000	15,000	-	-	(203)	15,000	14,797	None	
		<u>\$-</u>		<u>\$42,865</u>		<u>\$-</u>	<u>\$(4,971)</u>		<u>\$37,894</u>		

SOFTSTAR ENTERTAINMENT INC.

5. Statement of financial assets at fair value through other comprehensive income, non-current

For the Year Ended December 31, 2021

In Thousands of Shares/ New Taiwan Dollars

Item	Beginning Balance		Addition		Decrease		Valuation	Ending Balance		Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount	Amount	Shares	Fair Value		
Snsplus Inc.	266	\$3,802	-	\$-	-	\$-	\$332	266	\$4,134	None	
Auer Media & Entertainment Corp.	2,696	40,600	-	-	-	-	26,797	2,696	67,397	None	
Taiwan Smart Card Co.	2,552	3,598	-	-	-	-	(514)	2,552	3,084	None	
Double Edge Entertainment Corp.	479	2,171	87	872	-	-	-	566	3,043	None	
Funfia Inc.	600	-	-	-	-	-	-	600	-	None	
Uniplus Electronics Co., Ltd.	2	12	-	-	2	12	-	-	-	None	Note1
		<u>\$50,183</u>		<u>\$872</u>		<u>\$12</u>	<u>\$26,615</u>	Note2	<u>\$77,658</u>		

Note1: The investment in Uniplus Electronics Co., Ltd. was classified to the investments accounted for using the equity method

Note2: Not including the unrealized losses from the valuation of Newretail Co., Ltd's shares to be distributed to the Company, which is classified under other receivables to Funfia Inc. currently

SOFTSTAR ENTERTAINMENT INC.

6. Statement of changes in investments accounted for using equity method

For the Year Ended December 31, 2021

In Thousands of Shares/ New Taiwan Dollars

Investee	Beginning balance		Additions		Disposals		Other changes				Ending balance			Fair value / Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Investment Income (Loss)	Unrealized Gains or Losses from Financial Assets at Fair Value Through Other Comprehensive Income (Loss)	Other	Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations	Shares	%	Amount	Unit Price (NTD)	Total amount		
Loftstar Interactive Entertainment Inc.	2,850	\$5,453	3,000	\$30,000	-	\$-	\$(14,610)	\$-	\$-	\$-	5,850	100%	\$20,843	\$3.56	\$20,843	None	
Activision Entertainment Ltd.	-	876	-	5,000	-	-	(4,075)	-	-	-	-	100%	1,801	-	1,801	None	
Softstar Creative Inc.	4,700	1,570	-	-	4,700	405	(1,165)	-	-	-	-	-%	-	-	-	None	Note 1
Softstar International Inc.	5,059	552,388	-	-	5,059	5,767	(40,111)	-	(506,510)	-	-	-%	-	-	-	None	
Kobe Co., Ltd.	9,920	13,369	-	-	9,920	13,254	(56)	(59)	-	-	-	-%	-	-	-	None	Note 2
Gamebase Digital Media Corporation	6,100	5,981	8,100	141,000	-	-	(8,920)	-	(914)	-	14,200	100.00%	137,147	9.66	137,147	None	
Softstar Animation Limited	-	-	980	-	-	-	(967)	-	6,588	-	980	100.00%	5,621	5.74	5,621	None	
A.R.T. Games Co., Ltd.	1,225	1,143	-	-	-	-	4,969	-	(2,689)	-	1,225	49.00%	3,423	2.79	3,423	None	
Chia-e International Inc.	814	-	-	-	-	-	-	-	-	-	814	28.21%	-	-	-	None	
Time Vision International Limited	-	-	2	-	-	-	1,053,520	-	(600,332)	-	2	100.00%	453,188	226,594.00	453,188	None	
Uniplus Electronics Co., Ltd.	-	-	61,955	350,012	-	-	3,779	-	11,198	-	61,955	34.39%	364,989	5.89	364,989	None	
New Profit Holding Limited	-	-	1,610	24,501	-	-	(238)	1	19	(1)	1,610	100.00%	24,282	15.08	24,282	None	
JFN Investment Holding Corp.	-	-	12	71,829	-	-	(641)	3	175	(4)	12	100.00%	71,362	6,152.58	71,362	None	
Lanjing Ltd.	-	-	-	20,216	-	-	(174)	1	(4)	(1)	-	100%	20,038	-	20,038	None	
Jiwei Technology Ltd.	-	-	-	17,480	-	-	(151)	1	(4)	(1)	-	100%	17,325	-	17,325	None	
Chander Electronic Corp.	-	-	4,728	89,834	-	-	(713)	3	1	(4)	4,728	7%	89,121	18.85	89,121	None	
Total		\$580,780		\$749,872		\$19,426	\$990,447	\$(50)	\$(1,092,472)	\$(11)			\$1,209,140				

Note 1: Softstar Creative Inc. dismissed in December, 2020, and the liquidation was completed on August 17, 2021.

Note 2: Kobe Co., Ltd. dismissed in November, 2021, and it is in the liquidation now.

SOFTSTAR ENTERTAINMENT INC.

7. Statement of changes in right-of-use assets

For the Year Ended December 31, 2021

In Thousands of New Taiwan Dollars

Item	Buildings	Note
As of January 1, 2021	\$51,286	
Additions	34,020	
Disposals	(51,286)	
Exchange effect	-	
As of December 31, 2021	<u>\$34,020</u>	

SOFTSTAR ENTERTAINMENT INC.

8. Statement of changes in accumulated depreciation and accumulated impairment of right-of-use assets

December 31, 2021

In Thousands of New Taiwan Dollars

Item	Buildings	Note
As of January 1, 2021	\$32,650	
Depreciation expense	12,452	
Disposals	(35,723)	
Exchange effect	-	
As of December 31, 2021	<u>\$9,379</u>	

SOFTSTAR ENTERTAINMENT INC.

9. Statement of accounts payable

December 31, 2021

In Thousands of New Taiwan Dollars

Vendor name	Description	Amount	Note
Third Parties			
Vendor A		\$13,562	
Vendor B		1,816	
Vendor C		1,485	
Others	The amount of individual vendor in others does not exceed 5% of the account balance.	670	
Total		<u>\$17,533</u>	

SOFTSTAR ENTERTAINMENT INC.

10. Statement of lease liabilities

December 31, 2021

In Thousands of New Taiwan Dollars

Item	Description	Contract period	Discount rates applied	Amount	Note
Buildings	Office leases	110.01~113.01	1.99%	\$16,061	
Buildings	Office leases	110.01~113.12	1.99%	\$5,701	
Vehicles	Company car	110.03~113.03	1.99%	\$3,117	
Less: Current portion				(9,568)	
Net amount				<u>\$15,311</u>	

SOFTSTAR ENTERTAINMENT INC.

11. Statement of operating costs

For the Year Ended December 31, 2021

In Thousands of New Taiwan Dollars

Item	Amount		Note
	Description	Total	
Labor cost		\$17,860	
Other operating costs		24,744	
Others	The amount of individual item in others does not exceed 5% of the account balance.		
Total		<u>\$42,604</u>	

SOFTSTAR ENTERTAINMENT INC.

12. Statement of marketing expenses

For the Year Ended December 31, 2021

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Salaries		\$26,021	
Taxes		17,728	
Depreciation		3,042	
Other expenses	The amount of individual item in others does not exceed 5% of the account balance.	5,631	
Total		<u>\$52,422</u>	

SOFTSTAR ENTERTAINMENT INC.

13. Statement of general and administrative expenses

For the Year Ended December 31, 2021

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Salaries		\$51,502	
Labor expense		26,539	
Depreciation		7,432	
Miscellaneous expenses		5,733	
Other expenses	The amount of individual item in others does not exceed 5% of the account balance.	9,202	
Total		<u>\$100,408</u>	

SOFTSTAR ENTERTAINMENT INC.

14. Statement of research and development expenses

For the Year Ended December 31, 2021

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Salaries		\$82,404	
Labor expense		23,877	
Insurance expense		6,344	
Other expenses	The amount of individual item in others does not exceed 5% of the account balance.	13,593	
Total		<u>\$126,218</u>	