

**SOFTSTAR ENTERTAINMENT INC. AND
SUBSIDIARIES
CONSOLIDATED 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 consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these consolidated financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language consolidated financial statements shall prevail.

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

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REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2021 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of combined financial statements than the Consolidated Financial Statements.

Very truly yours,

SOFTSTAR ENTERTAINMENT INC.

Chairman: Tu, Chun-Kuang

March 30, 2022

English Translation of a Report Originally Issued in Chinese

Auditor Report of Independent Auditors

To Softstar Entertainment Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Softstar Entertainment Inc. (the “Company”) and its subsidiaries as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and their consolidated 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 and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on these matters.

Revenue Recognition – Royalties

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

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

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

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

Revenue Recognition – Sales of goods

The Company and its subsidiaries' revenue from sales of goods during the year ended December 31, 2021 is NT\$142,387 thousand. The sales of goods are contributed from multinational locations including Taiwan, Asia, Europe, etc., and the terms and considerations of sales are different from the major customers. It is important to identify the performance obligations and determine the timing of revenue recognition. There's a significant risk of revenue recognition, we therefore consider this as a key audit matter.

Our audit procedures included, but were not limited to:

1. Assessing the appropriateness of the accounting policies related to revenue recognition and testing the effectiveness of the internal control over the timing of recognizing revenue pertaining to revenue cycle;
2. Sampling and conducting test of details of transactions, including obtaining the orders or contracts from the major customers, examining the agreed terms and conditions, and determining whether the timing of revenue recognition is consistent with the timing of fulfillment of performance obligation and considerations stated in the contract;
3. Conducting substantive analytical procedures on monthly revenue from sales of goods to compare the changes with the prior period and evaluating if there is any significant and unusual differences; and
4. Performing cut-off testing around the balance sheet date, sampling and validating the reasonableness of transaction timing by reviewing the related evidences.

We also considered the appropriateness of the consolidated financial statements disclosure regarding sales revenue in Note 4 and 6.

Disposal of the material assets

The shareholders' meeting of the Company held on July 1, 2021 resolved to dispose the material assets, the investment accounting for using the equity method and the intellectual property. On August 5, 2021, the Board of Directors meeting approved the counterparty, transaction price, and the related agreements. Owing to the significant transaction price and in relation to 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 consolidated financial statements disclosure regarding the investment accounted for equity method and the non-operating income in Note 5 and 6.

Loss allowance for accounts receivable

The net amount of accounts receivable of the Company and its subsidiaries as of December 31, 2021 is NT\$132,439 thousand, representing 4.4% of total assets, which is material. The provision for impairment of accounts receivable is estimated at an amount equal to lifetime expected credit losses. The accounts receivable should be divided into the corresponding groups, and the assumption utilized in measurement needs to be judged and evaluated. The management's measure of expected impairment loss involves judgement, analytics and estimation, and the results of valuation have impact on the net amount of accounts receivable, we therefore consider this as a key audit matter.

Our audit procedures included, but were not limited to:

1. Analyzing and performing tests on the provision matrix utilized by the management for the Company and its subsidiaries, including the reasonableness of each aging interval, and sampling the original evidences of its basis to examine the accuracy;
2. Reviewing the collection of accounts receivable after the balance sheet date to evaluate the possibility of accounts receivable recovery; and
3. Conducting substantive analytical procedures to evaluate if there is any significant and unusual changes of the turnover rate between two periods.

We also considered the appropriateness of the consolidated financial statements disclosure regarding accounts receivable and related risk 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 long-term 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\$221,706 thousand, representing 7.37% of total consolidated 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\$1,876 thousand, representing 0.24% of the consolidated total comprehensive income (loss) for the year ended 31 December, 2021.

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

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

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

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

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The Company has prepared its standalone financial statement for the years ended December 31, 2021 and 2020 with an unqualified opinion with other matter and an unqualified opinion from us.

Yu, Chien-Ju
Yang, Chih-Huei

Ernst & Young, Taiwan
March 30, 2022

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 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	\$1,795,522	\$238,201	Contract liabilities, current	4 and 6	\$130,120	\$27,010
Contract assets, current	4 and 6	-	53,217	Notes payable	12	4,867	-
Notes receivable, net	4 and 12	18,632	957	Accounts payable	12	30,368	74,145
Accounts receivable, net	4, 6 and 12	132,439	150,476	Other payables	6 and 12	178,524	45,529
Accounts receivable-related parties, net	4, 6, 7 and 12	299	-	Other payables-related parties	7 and 12	100	-
Other receivables	4	2,796	189	Current income tax liabilities	4 and 6	242,657	14,779
Other receivables-related parties	4 and 7	44	5	Lease liabilities, current	4, 6, 7 and 12	22,987	11,080
Current income tax assets	4	8,263	556	Current portion of long-term borrowings	4, 6, 8 and 12	76,103	65,919
Inventories, net	4 and 6	77,355	645	Other current liabilities		1,886	1,133
Prepayment	4, 6 and 7	39,245	30,237	Total current liabilities		687,612	239,595
Other financial assets, current	4, 8 and 12	118,530	14,033				
Total current assets		2,193,125	488,516	Non-current liabilities			
Non-current assets				Contract liabilities, non-current	4 and 6	28,527	-
Designated financial assets at fair value through profit or loss, non-current	4, 6, 7 and 12	55,037	-	Long-term borrowings	4, 6, 8 and 12	74,048	65,399
Financial assets at fair value through other comprehensive income, non-current	4, 6 and 12	111,972	63,315	Deferred tax liabilities	4 and 6	2,663	40
Investments accounted for using the equity method	4 and 6	333,369	542,008	Lease liabilities, non-current	4, 6 and 12	58,132	17,965
Contract assets, non-current	4 and 6	35,046	25,842	Other non-current liabilities		990	313
Property, plant and equipment, net	4 and 6	9,766	8,147	Net defined benefit liabilities	4 and 6	16,904	20,897
Right-of-use assets	4, 6 and 7	80,511	29,147	Total non-current liabilities		181,264	104,614
Intangible assets	4 and 6	136,751	5,229				
Deferred tax assets	4, 5 and 6	7,217	18,046	Total liabilities		868,876	344,209
Other noncurrent assets		59	-	Equity attributable to the parent company	4 and 6		
Refundable deposits	12	12,803	8,551	Common stock		655,869	630,643
Prepayment for investments		-	1,296	Additional paid-in capital		112,491	112,360
Other financial assets, non-current	4, 8 and 12	32,006	27,000	Retained earnings		52,755	47,123
Total non-current assets		814,537	728,581	Legal reserve		291,085	281,771
				Special reserve		802,229	98,402
				Unappropriated earnings		(247,943)	(297,625)
				Other components of equity		1,666,486	872,674
				Total equity attributable to the parent company		472,300	214
				Non-controlling interests			
				Total equity		2,138,786	872,888
Total assets		\$3,007,662	\$1,217,097	Total liabilities and equity		\$3,007,662	\$1,217,097

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 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	\$559,406	\$545,369
Cost of goods sold	7	(157,229)	(89,939)
Gross profit		<u>402,177</u>	<u>455,430</u>
Operating expenses	6 and 7		
Sales and marketing expenses		(111,454)	(120,585)
General and administrative expenses		(128,986)	(72,394)
Research and development expenses		(135,611)	(166,552)
Expected credit losses		(2,678)	42,205
Subtotal		<u>(378,729)</u>	<u>(317,326)</u>
Operating income		<u>23,448</u>	<u>138,104</u>
Non-operating income and expenses			
Other income	6 and 7	19,686	31,720
Other gains and losses	6	1,093,887	(2,060)
Finance costs	6	(3,877)	(2,736)
Share of profit or loss of associates and joint ventures accounted for using equity method		(80,653)	(71,261)
Subtotal		<u>1,029,043</u>	<u>(44,337)</u>
Profit before income tax		1,052,491	93,767
Income tax expense	4, 5 and 6	(302,863)	(37,355)
Net income		<u>749,628</u>	<u>56,412</u>
Other comprehensive income (loss)	4 and 6		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		2,108	89
Unrealized gains or losses from financial assets at fair value through other comprehensive loss		27,799	7,311
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	-
Tax of items that may not be reclassified subsequently to profit or loss		168	-
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		<u>45,420</u>	<u>(9,225)</u>
Total comprehensive income		<u>\$795,048</u>	<u>\$47,187</u>
Net income attributable to:			
Stockholders of the parent		\$743,583	\$56,896
Non-controlling interests		6,045	(484)
		<u>\$749,628</u>	<u>\$56,412</u>
Comprehensive income (loss) attributable to:			
Stockholders of the parent		\$788,943	\$47,671
Non-controlling interests		6,105	(484)
		<u>\$795,048</u>	<u>\$47,187</u>
Earnings per share (NTD)	4 and 6		
Earnings per share-basic		<u>\$11.36</u>	<u>\$0.88</u>
Earnings per share-diluted		<u>\$11.28</u>	<u>\$0.87</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF 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	Non-Controlling Interests	Total
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Differences Resulting from Translating the Financial Statements of Foreign Operations	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	\$43	\$804,940	
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)	-	(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 (loss) in 2020	-	-	-	-	56,896	-	-	-	-	56,896	(484)	56,412	
Other comprehensive income (loss) in 2020	-	-	-	-	89	(16,625)	7,311	-	-	(9,225)	-	(9,225)	
Total comprehensive income (loss)	-	-	-	-	56,985	(16,625)	7,311	-	-	47,671	(484)	47,187	
Repurchase of treasury share	-	-	-	-	-	-	-	-	(1,023)	(1,023)	-	(1,023)	
Retirement of treasury share	(250)	(773)	-	-	-	-	-	-	1,023	-	-	-	
Changes in ownership interests in subsidiaries	-	-	-	-	(655)	-	-	-	-	(655)	655	-	
Share-based payment transactions	(60)	(570)	-	-	-	-	-	32,272	-	31,642	-	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	\$214	\$872,888	
Balance as of January 1, 2021	\$630,643	\$112,360	\$47,123	\$281,771	\$98,402	\$(15,345)	\$(275,740)	\$(6,540)	\$-	\$872,674	\$214	\$872,888	
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)	-	(12,613)	
Stock dividends	25,226	-	-	-	(25,226)	-	-	-	-	-	-	-	
Net income (loss) in 2021	-	-	-	-	743,583	-	-	-	-	743,583	6,045	749,628	
Other comprehensive income (loss) in 2021	-	-	-	-	2,218	15,334	27,808	-	-	45,360	60	45,420	
Total comprehensive income (loss)	-	-	-	-	745,801	15,334	27,808	-	-	788,943	6,105	795,048	
Difference between consideration and carrying amount of subsidiaries acquired	-	131	-	-	11,728	-	-	-	-	11,859	-	11,859	
Acquisition of subsidiaries	-	-	-	-	(917)	-	-	-	-	(917)	465,981	465,064	
Share-based payment transactions	-	-	-	-	-	-	-	6,540	-	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	\$472,300	\$2,138,786	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 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	\$1,052,491	\$93,767
Adjustments for:		
Depreciation	23,832	23,623
Amortization	5,757	15,575
Expected credit impairment losses (gains)	2,678	(42,205)
Loss on financial assets and liabilities at fair value through profit or loss	4,971	-
Interest expense	3,877	2,736
Interest income	(415)	(189)
Share-based payments expense	6,540	31,642
Share of net loss of associates and joint ventures accounted for using equity method	80,653	71,261
Loss on disposal of property, plant and equipment	3,220	128
Gain on disposal of intangible assets	-	(576)
Gain on disposal of investment	(1,123,088)	-
Impairment loss from non-financial assets	890	957
Loss on lease modification	609	25
Changes in operating assets and liabilities:		
Contract assets	40,014	(2,642)
Notes receivable, net	1,186	826
Accounts receivable, net	109,174	953
Accounts receivable-related parties, net	(299)	11
Other receivables	(1,638)	(165)
Other receivables-related parties	(39)	4,459
Inventories, net	6,572	83
Prepayment	3,931	21,632
Other current assets	107,080	-
Contract liabilities	131,637	(20,868)
Notes payable	(4,120)	-
Accounts payable	(57,603)	(17,244)
Accounts payable-related parties	-	(36,437)
Other payables	33,025	(25,258)
Other payables-related parties	-	(67)
Other current liabilities	(173)	7
Net defined benefit liabilities	(1,966)	-
Cash provided by operations	428,796	122,034
Interest received	415	189
Interest paid	(3,881)	(2,748)
Income tax paid	(52,531)	(21,946)
Net cash provided by operating activities	372,799	97,529
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(20,872)	(12)
Proceeds from disposal of financial assets at fair value through other comprehensive income	109,526	-
Acquisition of financial assets at fair value through profit or loss	(60,008)	-
Acquisition of investments accounted for using equity method	(491,811)	-
Proceeds from disposal of investments accounted for using equity method	1,840,786	-
Acquisition of subsidiaries (net of cash acquired)	(67,673)	-
Disposal of subsidiaries (net of cash acquired)	-	(1,280)
Acquisition of property, plant and equipment	(6,114)	(1,958)
Proceeds from disposal of property, plant and equipment	379	328
Decrease (increase) in refundable deposits	1,165	(552)
Acquisition of intangible assets	(3,736)	(12,448)
Proceeds from disposal of intangible assets	-	632
Decrease (increase) in other financial assets	(104,471)	(9,540)
Decrease (increase) in other noncurrent assets	1,881	-
Net cash provided/(used in) by activities	1,199,052	(24,830)
Cash flows from financing activities:		
Increase in short-term borrowings	-	30,000
Decrease in short-term borrowings	-	(30,000)
Proceeds from long-term borrowings	110,000	25,000
Repayment of long-term borrowings	(91,167)	(1,424)
Repayment of the principal portion of lease liabilities	(19,833)	(18,772)
Cash dividends	(12,613)	(9,858)
Treasury stock transactions	-	(1,023)
Changes in non-controlling interests	(917)	-
Net cash used in by financing activities	(14,530)	(6,077)
Net foreign exchange difference	-	-
Net increase in cash and cash equivalents	1,557,321	66,622
Cash and cash equivalents at beginning of year	238,201	171,579
Cash and cash equivalents at end of year	\$1,795,522	\$238,201

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

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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 changed its name to Softstar Entertainment Inc. the same year. The Company and its subsidiaries (“the Group”) main lines of business include online games, game software, instructional software, and research, design and sales of computer peripherals. On August 8, 2001, the Company listed its shares of stock on the Taipei Stock Exchange (TPEX). The Company’s registered office and the main business location is at 6F, No. 85, Section 4, Ren’ai Road, Republic of China (R.O.C.).

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

The consolidated financial statements of the Group for the years ended December 31, 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 Group 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 2021. The nature and impact of the new standard and amendment had no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	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

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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.

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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 2022 have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 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.

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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 carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. 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.

(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 Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group 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 Group after the estimation, the related effects would be disclosed after the estimation.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group 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”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

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

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

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

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

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

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

If the Company loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			December 31, 2021	December 31, 2020	
The Company	Loftstar Interactive Entertainment Inc.	Software wholesale and software services	100	100	Note 1
The Company	Activision Entertainment Ltd.	Performing arts	100	100	Note 2
The Company	Softstar Creative Inc.	Network software development and technical services	100	100	Note 3
The Company	Kobe Co., Ltd.	Investment holdings	-	-	Note 4
The Company	Gamebase Digital Media Corporation	Software services and information processing services, etc.	100	93.85	Note 5
The Company	Softstar Animation Limited (SAL)	Investment holdings	100	-	Note 6
The Company	Time Vision International Limited (TVI)	Investment holdings	100	-	Note 7
The Company	Uniplus Electronics Co., Ltd.	Manufacture, lamination, processing, research and development, and merchandising of electronic parts/components	34.39	-	Note 8,10
The Company	New Profit Holding Limited	Investment holdings	100	-	Note 9
The Company	Jfn Investment Holding Corp	Investment holdings	100	-	Note 10
The Company	Lanjing Ltd.	Investment holdings	100	-	Note 10
The Company	Jiwei Technology Ltd.	Investment holdings	100	-	Note 10
The Company	Softstar International Inc. (SII)	Investment holdings	-	100	Note 6,7
Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	Beauty and skincare products	100	-	Note 8,11
Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Wholesale of electronic equipment	100	-	Note 8,12
Uniplus Electronics Co., Ltd.	Jiu He Yi Technology Co., Ltd.	Wholesale of electronic equipment	100	-	Note 8,13
Uniplus Electronics Co., Ltd.	JFN Investment Holding Corp	Investment	-	-	Note 10,14
Uniplus Electronics Co., Ltd.	Lanjing Ltd.	Investment	-	-	Note 10,15
Uniplus Electronics Co., Ltd.	Jiwei Technology Ltd.	Investment	-	-	Note 10,16
Gamebase Digital Media Corporation	Mega Media Group Limited	Investment holdings	100	-	Note 17
Softstar International Inc. (SII)	Softstar Global Inc. (SGI)	Investment holdings	-	100	Note 18
Softstar International Inc. (SII)	Softstar Animation Limited (SAL)	Investment holdings	-	100	Note 6

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Note 1: 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 2: 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.
- Note 3: Softstar Creative Inc. was dissolved in December 2020, and the liquidation process was completed on August 17, 2021.
- Note 4: Kobe Co., Ltd, was dissolved in November 2021, and is still in the liquidation process.
- Note 5: 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 6: On March 19, 2021, Softstar International Inc. (SII) was restructured to be owned by the Company directly.
- Note 7: 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.

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Note 8: 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 9: 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 10: 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 11: Green Bless Co., Ltd. increased its capital of 500 thousand shares in cash, the share capital increased to NT\$25,000 thousand, and the shareholdings remained 100%.
- Note 12: Uniplus Electronics Co., Ltd. established Hang Zheng Technology Co., Ltd. in December 2019 with NT\$40,000 thousand in capital. Hang Zheng Technology Co., Ltd., reduced its capital of 3,000 thousand shares, its capital changed to NT\$10,000 thousand, and the shareholding remained 100%.
- Note 13: Uniplus Electronics Co., Ltd. established Jiu He Yi Technology Co., Ltd. in May 2021 with NT\$15,000 thousand in capital, and the shareholdings was 100%.
- Note 14: Uniplus Electronics Co., Ltd. acquired 100% shareholdings of JFN Investment Holding Corp. from the third parties with NT\$64,269 thousand in exchange for 12.2 thousand shares in April 2021.
- Note 15: Uniplus Electronics Co., Ltd. purchased 100% issuance capital amount of Lanjing Ltd. from the third parties with NT\$12,808 thousand in July 2021.
- Note 16: Uniplus Electronics Co., Ltd. purchased 100% issuance capital amount of Jiwei Technology Ltd. from the third parties with NT\$11,080 thousand in July 2021.
- Note 17: Gamebase Digital Media Corporation acquired 100% shareholdings of Mega Media Group Limited from a related party, Global Angel Investment Limited, with NT\$93,200 thousand in December 2021.
- Note 18: Softstar Global Inc. (SGI) was dissolved in October, 2020, and the procedure had been completed in November 2021.

(4) Foreign currency transactions

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

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

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

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

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

(A) Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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 Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

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

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

(B) Impairment of financial assets

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

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

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

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The loss allowance is measured as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(C) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(D) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

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

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

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

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

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

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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.

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for using the equity method

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

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

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

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

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

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

(12) Property, plant and equipment

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

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

Machinery and equipment	2~10 years
Office equipment	1~5 years
Right-of-use assets	1~5 years
Leasehold improvements	2~6 years
Transportation equipment	5 years
Other equipment	1~8 years

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

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

(13) Leases

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

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

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

(14) Intangible assets

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

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

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

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

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

Trademark

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

Game royalty

Game royalty acquired separately is measured on initial recognition at cost. Game royalty is intangible assets with finite useful lives and is amortized within six months from the date of commercial operation of the game.

Computer software

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

Goodwill

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

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

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

(15) Impairment of non-financial assets

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

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

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

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

(16) Provisions

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

Sales returns and allowances

A provision has been recognized for sales returns and allowances in accordance with IFRS 15.

(17) Treasury stocks

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

(18) Revenue recognition

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

Sale of goods

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

As the customers have the right of use and responsibility of reselling and take the risk on obsolescence of the goods when the products of electronic components are delivered and arrived at the place designated by the customers, which is the timing that the Group recognizes revenue and accounts receivable.

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

Rendering of services

- (A) The Group provides services related to game licensing. The Group identifies performance obligations and determines whether the licensing provides a customer with a right to access the Group's IP over time or with a right to use the Group's IP at a point in time. Based on experience, the Group uses the expected value method to estimate variable consideration. The scope is limited to the accumulated amount of the revenue recognized which is likely to not be significantly reversed in the subsequent period, when the uncertainty associated with the contracts are eliminated. For some contracts, if the Group has fulfilled the performance obligation but does not have a right to an unconditional consideration, these 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 Group owns the obligation to provide the services subsequently, these contracts should be recognized as contract liabilities.
- (B) The Group provides services related to online games. The Group sells online game time points to subsequently provide services, therefore sales amount from online game time points is recognized as a contract liabilities and revenue is subsequently recognized based on actual usage.

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

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

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

(19) Borrowing Costs

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

(20) 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.

(21) Post-employment benefits

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

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

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

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

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(22) Share-based payment transactions

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

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

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

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

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

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

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

(23) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

(24) Business combinations and goodwill

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

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

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

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

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

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

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

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty arising from these assumptions and estimates could result in material adjustments to the carrying amount of the assets or liabilities in future periods.

(1) Judgement

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

A. Revenue recognition – royalties

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

B. Business combination

The business combination in the Group is in accordance with Business Mergers and Acquisitions Act. The costs relating to the acquisitions are recognized as expense when the costs happen and the servings were accessed. Goodwill is initially measured as the net amount of the excess of the aggregate of the consideration transferred, the non-controlling interest, and the fair value of equity held by the investor at the acquisition date over the net fair value of the identifiable assets acquired and the liabilities assumed. The non-controlling interest is measured as its share of the net identifiable assets of investee.

(2) Estimates and assumptions

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

A. Estimate of variable consideration

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

B. Accounts receivables—estimate of impairment loss

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

C. Fair value of financial instruments

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

D. Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

E. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc. Please refer to Note 6 for more details.

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F. 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 Group 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.

G. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective 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 Group company's domicile.

Deferred tax assets are recognized for all carry forward 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	\$454	\$294
Checking and saving accounts	1,795,068	237,907
Total	<u>\$1,795,522</u>	<u>\$238,201</u>

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(2) Notes receivable

	As of December 31,	
	2021	2020
Notes receivable	\$18,632	\$957
Less: loss allowance	-	-
Total	<u>\$18,632</u>	<u>\$957</u>

Notes receivable were not pledged.

The Group follows the requirement of IFRS9. Please refer to Note 6 (17) for more details on loss allowance and Note 12 for details on credit risk.

(3) Accounts receivable and Accounts receivable-related parties

	As of December 31,	
	2021	2020
Accounts receivable	\$136,271	\$152,928
Less: allowance for sales returns and discounts	(1,666)	(572)
Loss allowance	(2,166)	(1,880)
Subtotal	<u>132,439</u>	<u>150,476</u>
Accounts receivable from related parties	299	-
Total	<u>\$132,738</u>	<u>\$150,476</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 were NT\$136,570 thousand and NT\$152,928 thousand, respectively. Please refer to Note 6 (17) 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.

(4) Inventories, net

	As of December 31,	
	2021	2020
Raw materials	\$61,798	\$12
Work in progress	876	633
Finished goods	14,681	-
Total	<u>\$77,355</u>	<u>\$645</u>

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The cost of inventories recognized in expenses amounted to NT\$95,003 thousand and NT\$2,690 thousand for the years ended December 31, 2021 and 2020, respectively, including the reversal of write-down of inventories of NT\$1,789 thousand and the write-down of inventories of NT\$957 thousand, respectively.

The reversal of write-down of inventories in the current year was because the Group disposed the slow-moving inventories and reversed the amount of the allowance for inventory valuation loss.

No inventories were pledged.

(5) Prepayments

	As of December 31,	
	2021	2020
Prepaid outsourcing fee	\$19,798	\$16,909
Other prepayments	19,447	13,328
Total	<u>\$39,245</u>	<u>\$30,237</u>

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

	As of December 31,	
	2021	2020
Financial assets designated at fair value through profit or loss, non-current:		
Cathy Private Equity Ecology Limited Partnership	\$23,097	\$-
Contract of profit sharing rights on game publishing (Note 1), (Note 2)	17,143	-
Cathy Private Equity Smart Technology Limited Partnership	14,797	-
Total	<u>\$55,037</u>	<u>\$-</u>

Note 1: The Group and A.R.T. Games Co., Ltd. signed a development and publishing agreement, and its primary terms are as follows:

- A. Investment amount: NT\$10,000 thousand (tax excluded: NT\$9,524 thousand)
- B. Contract date: May 10, 2021
- C. Expiry date: Until the commercial operation of this game is ceased.
- D. After the commercial operation of this game starts in any of the licensed areas, A.R.T. Games Co., Ltd. shall share the profits according to the following ways:
 - (a) The Group is entitled of 30% of this game's operating revenues after the deduction of channel service fees and bad debt rate.
 - (b) The aforementioned percentage of profit sharing will be adjusted to 4% after the Group receives more than NT\$10,000 thousand.

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Note 2: The Group and Galaxy Power Holdings Limited signed a development and publishing agreement, and its primary terms are as follows:

- A. Investment amount: NT\$10,000 thousand (tax excluded: NT\$9,524 thousand)
- B. Contract date: May 10, 2021
- C. Expiry date: Until the commercial operation of this game is ceased.
- D. After the commercial operation of this game starts in any one of the licensed areas, Galaxy Power Holdings Limited shall share the profits according to the following ways:
 - (a) The Group is entitled of 30% of this game's operating revenues after the deduction of channel service fees and bad debt rate.
 - (b) The aforementioned percentage of profit sharing percentage will be adjusted to 4% after the Group receives more than NT\$10,000 thousand.

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

(7) 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 company stocks		
Newretail Co., Ltd.	\$14,314	\$13,132
Uniplus Electronics CO., LTD.(NOTE)	-	12
Emerging market stocks		
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.	-	-
BLC Group Holding Limited	20,000	-
Boom Fintech Inc.	-	-
Total	<u>\$111,972</u>	<u>\$63,315</u>

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

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(8) Investments accounted for using the equity method

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

Investees	As of December 31,				Note
	2021		2020		
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	
<u>Investments in associates:</u>					
Chander Electronics Corp.	\$221,706	17.14%	\$-	-%	Note 1,5
Niusnews Co., Ltd.	108,240	27.63%	-	-%	Note 2,5
A.R.T. Games Co., Ltd.	3,423	49%	1,143	49%	Note 3,5
Chia-e International Inc.	-	28.21%	-	28.21%	Note 5
Softstar Technology (Beijing) Co., Ltd.	-	-%	540,865	49%	Note 4
Total	<u>\$333,369</u>		<u>\$542,008</u>		

Note 1: The Company directly holds 6.89% and indirectly holds 1.86%, 5.51%, 1.54%, and 1.34% shareholdings of Chander Electronic Corp. through the subsidiaries, New Profit Holding Limited, JFN Investment Holding Corp., Lanjing Ltd., and Jiwei Technology Ltd., from October 2021. The total shareholdings held by the Group reached 17.14%.

Note 2: The Board of Director of the Company held on December 24, 2021 approved the subsidiary, Gamebase Digital Media Corporation, to acquire 318 thousand newly issued shares of Niusnews Co., Ltd. with NT\$34,980 thousand in exchange of 8.93% shareholdings. In addition, Gamebase Digital Media Corporation also acquired 100% of Mega Media Group Limited's shares from a related party, Global Angel Investments Limited, with NT\$93,260 thousand, indirectly holding 666 thousand shares of Niusnews Co., Ltd. (18.7% of shareholdings). The total shareholdings of the Group reached 27.63%.

Note 3: The Group recognized NT\$2,688 thousand impairment loss for the investments accounted for using equity method after assessing the possibility of recoverable amount of the investments in 2021.

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Note 4: Information on the material associate of the Group:

Company name: Softstar Technology (Beijing) Co., Ltd.

Nature of the relationship with the associate: Softstar Technology (Beijing) Co., LTD. is in the business of information processing services. The Group invested in Softstar Technology (Beijing) Co., Ltd. for the purpose of business needs.

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

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

The summarized financial information of the associate is as follows:

	As of December 31, 2020
Current assets	\$851,552
Non-current assets	225,425
Current liabilities	(306,227)
Non-current liabilities	-
Equity	770,750
Property of the Group's ownership	49%
Subtotal	377,667
Intangible assets	142,936
Goodwill	20,262
Other	-
Carrying amount of the investment	\$540,865
	For the year ended December 31, 2020
Operating revenue	\$25,741
Profit or loss from continuing operations	(107,174)
Other comprehensive income	-
Total comprehensive income	\$107,174

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Note 5: Investments in associates

The Group's investments in Chander Electronics Corp., A.R.T. Games Co., Ltd., Chia-e International Inc., and Niusnews Co., Ltd. are not individually material. The aggregate carrying amount of the Group's interests in Chander Electronics Corp., Chia-e International Inc., A.R.T. Games Co., Ltd., and Niusnews Co., Ltd. is NT\$333,369 thousand and NT\$1,143 thousand, as of December 31, 2021 and 2020, respectively. The aggregate financial information 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 Group recognized the investment income(loss) based on the financial information of the investees recognized in investments accounted for under the equity method. Such financial information is as follows:

	Gain (loss) on investment	
	For the years ended	
	December 31	
	2021	2020
Chander Electronic Corp.	\$(1,876)	\$-
A.R.T. Games Co., Ltd.	4,969	(1,763)
Chia-e International Inc.	-	-
Softstar Technology (Beijing) Co., Ltd. (Note A)	(84,287)	(69,498)
Uniplus Electronics Co., Ltd.	541	-
Niusnews Co., Ltd.	-	-
Total	<u>\$(80,653)</u>	<u>\$(71,261)</u>

Note A: Investment loss for Softstar (Beijing) included NT\$8,491 thousand and NT\$16,982 thousand amortization between the book value and the fair value of its intangible assets in 2021 and 2020, respectively.

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

The aforementioned associates had no contingent liabilities or capital commitments as at December 31, 2021 and 2020. No investments accounted for using the equity method were pledged.

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(9) Property, plant and equipment

						As of December 31,	
						2021	2020
						\$9,766	\$8,147
Owner occupied property, plant and equipment							
	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Leasehold improvements	Total	
Cost:							
As of January 1, 2021	\$9,970	\$16,030	\$-	\$-	\$13,929	\$39,929	
Additions	151	1,214	-	1,935	2,814	6,114	
Disposals	-	(1,403)	-	(22,356)	(13,929)	(37,688)	
Transfers	(4,010)	4,010	-	250	-	250	
Acquisition of subsidiaries	91,192	38	1,847	46,576	-	139,653	
As of December 31, 2021	\$97,303	\$19,889	\$1,847	\$26,405	\$2,814	\$148,258	
As of January 1, 2020	\$9,936	\$15,881	\$-	\$-	\$17,782	\$43,599	
Additions	438	1,520	-	-	-	1,958	
Disposals	-	(924)	-	-	(4,085)	(5,009)	
Transfers	(404)	(447)	-	-	232	(619)	
As of December 31, 2020	\$9,970	\$16,030	\$-	\$-	\$13,929	\$39,929	
Depreciation and impairment:							
As of January 1, 2021	\$7,643	\$13,537	\$-	\$-	\$10,602	\$31,782	
Depreciation	993	1,760	117	1,365	926	5,161	
Disposals	-	(1,131)	-	(22,356)	(10,602)	(34,089)	
Transfers	(3,262)	3,262	-	-	-	-	
Acquisition of subsidiaries	91,115	24	154	44,345	-	135,638	
As of December 31, 2021	\$96,489	\$17,452	\$271	\$23,354	\$926	\$138,492	
As of January 1, 2020	\$6,443	\$12,984	\$-	\$-	\$12,102	\$31,529	
Depreciation	1,620	1,558	-	-	2,247	5,425	
Disposals	-	(574)	-	-	(3,979)	(4,553)	
Transfers	(420)	(431)	-	-	232	(619)	
As of December 31, 2020	\$7,643	\$13,537	\$-	\$-	\$10,602	\$31,782	
Net carrying amounts as of:							
December 31, 2021	\$814	\$2,437	\$1,576	\$3,051	\$1,888	\$9,766	
December 31, 2020	\$2,327	\$2,493	\$-	\$-	\$3,327	\$8,147	

Property, plant and equipment were not pledged.

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(10) Intangible assets

	Trademarks	Computer software	Game Royalty	Technology of patent	Goodwill	Total
Cost:						
As of January 1, 2021	\$-	\$30,883	\$9,063	\$-	\$2,712	\$42,658
Addition-acquired separately	111	3,625	-	-	-	3,736
Deduction-derecognized	-	(15,233)	-	-	-	(15,233)
Acquisition of subsidiaries	36,896	-	-	17,490	142,891	197,277
As of December 31, 2021	<u>\$37,007</u>	<u>\$19,275</u>	<u>\$9,063</u>	<u>\$17,490</u>	<u>\$145,603</u>	<u>\$228,438</u>
As of January 1, 2020	\$6,870	\$31,946	\$-	\$-	\$2,712	\$41,528
Addition-acquired separately	-	3,385	9,063	-	-	12,448
Deduction-derecognized	(6,870)	(4,448)	-	-	-	(11,318)
As of December 31, 2020	<u>\$-</u>	<u>\$30,883</u>	<u>\$9,063</u>	<u>\$-</u>	<u>\$2,712</u>	<u>\$42,658</u>
Amortization and impairment:						
As of January 1, 2021	\$-	\$28,366	\$9,063	\$-	\$-	\$37,429
Amortization	-	4,654	-	1,103	-	5,757
Deduction-derecognized	-	(15,233)	-	-	-	(15,233)
Acquisition of subsidiaries	27,395	-	-	10,878	25,461	63,734
As of December 31, 2021	<u>\$27,395</u>	<u>\$17,787</u>	<u>\$9,063</u>	<u>\$11,981</u>	<u>\$25,461</u>	<u>\$91,687</u>
As of January 1, 2020	\$6,870	\$26,246	\$-	\$-	\$-	\$33,116
Amortization	-	6,512	9,063	-	-	15,575
Deduction-sold	-	(4,392)	-	-	-	(4,392)
Deduction-derecognized	(6,870)	-	-	-	-	(6,870)
As of December 31, 2020	<u>\$-</u>	<u>\$28,366</u>	<u>\$9,063</u>	<u>\$-</u>	<u>\$-</u>	<u>\$37,429</u>
Net carrying amount as of:						
December 31, 2021	<u>\$9,612</u>	<u>\$1,488</u>	<u>\$-</u>	<u>\$5,509</u>	<u>\$120,142</u>	<u>\$136,751</u>
December 31, 2020	<u>\$-</u>	<u>\$2,517</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,712</u>	<u>\$5,229</u>

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

	For the years ended December 31	
	2021	2020
Operating costs	<u>\$-</u>	<u>\$9,063</u>
Sales and marketing expenses	<u>\$2,475</u>	<u>\$-</u>
Administrative expense	<u>\$176</u>	<u>\$917</u>
Research and development expense	<u>\$3,106</u>	<u>\$5,595</u>

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(11) Other payables

	As of December 31,	
	2021	2020
Brokerage fees payable	\$83,936	\$-
Salary payable	62,673	23,316
Professional service fees payable	3,563	3,593
Insurance payable	2,315	2,198
Advertising payable	100	445
Other accrued expenses	25,937	15,977
Total	<u>\$178,524</u>	<u>\$45,529</u>

(12) 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 CONSOLIDATED 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, 2022. 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, 2022. 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, 2022. Interest paid monthly.
Chang Hwa Bank secured loan	11,667	2.01%	Repayable quarterly from September 20, 2019 to September 20, 2022. 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, 2022. 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	<u>\$65,399</u>		

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

(13) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 are NT\$7,580 thousand and NT\$6,528 thousand, respectively.

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Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the regulations for revenues, expenditures, safeguard and utilization of the labor retirement fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$536 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	51	147
Total	<u>\$264</u>	<u>\$489</u>

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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	\$30,348	\$32,946	\$37,189
Fair value of plan assets	(13,444)	(12,049)	(16,203)
Net defined benefit liabilities, noncurrent	\$16,904	\$20,897	\$20,986

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

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability /(asset)
As of January 1, 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)	239	(188)	51
Subtotal	452	(188)	264
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	(918)	-	(918)
Experience adjustments	(945)	(177)	(1,122)
Remeasurements of the defined benefit asset	-	(95)	(95)
Subtotal	(1,836)	(272)	(2,108)
Payments from the plan	(5,473)	5,473	-
Contributions by employer	-	(461)	(461)
Acquisition of subsidiaries	4,259	(5,947)	(1,688)
As of December 31, 2021	\$30,348	\$(13,444)	\$16,904

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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%	\$-	\$(733)	\$-	\$(917)
Discount rate decrease by 0.25%	759	-	950	-
Future salary increase by 0.25%	850	-	850	-
Future salary decrease by 0.25%	-	(813)	-	(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.

(14) Equities

(A) Common stock

The Company's authorized capital were both NT\$1,300,000 thousand, and issued capital were NT\$655,869 thousand and NT\$630,643 thousand with 65,587 thousand shares and 63,064 thousand shares 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.

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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.

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, 2021 and 2020, the Company redeemed and cancelled 0 thousand shares and 6 thousand shares of issued restricted stocks for employees, respectively, and 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 new ordinary shares were issued, and the registration was completed and approved by competent authority.

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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 31,	
	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>

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 Stocks

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, 2021, 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.

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

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(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.

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 Group sets aside and reverses special reserves.

Details of the 2020 earnings distribution and dividends per share 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 (19) for details on employees' compensation and remuneration to directors and supervisors.

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(E) Non-controlling interests

	For the years ended	
	December 31,	
	2021	2020
Beginning balance	\$214	\$43
Gain (Loss) attributable to non-controlling interests	6,045	(484)
Other comprehensive income attributable to non-controlling interests	60	-
Acquisition of shares of non-controlling interests	(190)	-
Acquisition of equity interests of subsidiaries	466,171	-
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	-	655
Ending balance	\$472,300	\$214

(15) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations. The group grants the equity instruments to the employees in return for the services they provide. These plans are accounted for as equity-settled share-based payment transactions.

(A) The Group applied for an additional issuance of restricted employee stock in 2018 and issued on January 5, 2020 of NT\$15,000 thousand, totaling 1,500 thousand shares, and the share price was NT\$105 per share. The share-based payment agreement is as follows:

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

Note 1: The restricted employee stock issued by the Group 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, but the dividends obtained is not required to return.

Note 2: A portion of the restricted employee stock would be vested at the end of each year 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 years.

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The detail information of upon share-based payment agreement is as follows :

	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

(16) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Sale of goods	\$146,702	\$2,408
Rendering of service	408,870	537,991
Other operating revenue	8,149	5,089
Less: sales returns and allowances	(4,315)	(119)
Total	\$559,406	\$545,369

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

(A) Disaggregation of revenue

For the year ended December 31, 2021

	Operating Department	Research and Development Department	Electronic Products Department	Beauty Products Department	Total
Sale of goods	\$15,163	\$-	\$121,087	\$6,137	\$142,387
Rendering of services	104,222	312,797	-	-	417,019
Total	<u>\$119,385</u>	<u>\$312,797</u>	<u>\$121,087</u>	<u>\$6,137</u>	<u>\$559,406</u>

Timing of revenue recognition:

At a point in time	\$20,750	\$136,310	\$121,087	\$6,137	\$284,284
Over time	98,635	176,487	-	-	275,122
Total	<u>\$119,385</u>	<u>\$312,797</u>	<u>\$121,087</u>	<u>\$6,137</u>	<u>\$559,406</u>

For the year ended December 31, 2020

	Operating Department	Research and Development Department	Electronic Products Department	Beauty Products Department	Total
Sale of goods	\$2,289	\$-	\$-	\$-	\$2,289
Rendering of services	174,720	368,360	-	-	543,080
Total	<u>\$177,009</u>	<u>\$368,360</u>	<u>\$-</u>	<u>\$-</u>	<u>\$545,369</u>

Timing of revenue recognition:

At a point in time	\$13,246	\$141,600	\$-	\$-	\$154,846
Over time	163,763	226,760	-	-	390,523
Total	<u>\$177,009</u>	<u>\$368,360</u>	<u>\$-</u>	<u>\$-</u>	<u>\$545,369</u>

(B) Contract balances

Net contract assets (liabilities) are as follows:

	Ending balance	Beginning balance	Difference	%
Contract assets, current	\$-	\$53,217	\$(53,217)	(100)%
Contract assets, noncurrent	35,046	25,842	9,204	36%
Contract liabilities, current	(130,120)	(27,010)	(103,110)	382%
Contract liabilities, noncurrent	(28,527)	-	(28,527)	100%
Net contract assets (liabilities)	<u>\$(123,601)</u>	<u>\$52,049</u>	<u>\$(175,650)</u>	

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Contract assets decreased by NT\$44,013 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\$131,637 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 Group's transaction price allocated to unsatisfied performance obligations amounted to NT\$158,647 thousand as of December 31, 2021. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one to three years.

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT\$27,010 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.

(17) Expected credit losses/ (gains)

	For the years ended	
	December 31,	
	2021	2020
Operating expenses – Expected credit losses/(gains)		
Contract assets	\$3,999	\$-
Accounts receivable	(1,321)	(42,205)
Total	<u>\$2,678</u>	<u>\$(42,205)</u>

The credit risk of the Group's financial assets measured at amortized cost are assessed as low (same as the assessment result in the beginning of the period). Besides, the Group only transacts with good credit financial institutions, such as banks. Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses at a loss ratio of 0%.

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The Group measures the loss allowance of its contract assets and trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessments of the Group's loss allowance are as follows:

(A) the gross carrying amount of contract assets are NT\$35,046 thousand and NT\$79,059 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 Group groups its trade receivables by counterparties' credit rating, geographical region and industry sector, and its loss allowance is measured by using a provision matrix, 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	\$31,062	\$1,961	\$226	\$431	\$81	\$33,761
Loss ratio	0.21%	3.01%	47.81%	57.01%	100.00%	
Lifetime expected credit losses	(65)	(59)	(108)	(246)	(81)	(559)
Subtotal	\$30,997	\$1,902	\$118	\$185	\$-	\$33,202

Group 2

	Not yet due (Note)	Overdue				Total
		<=30 days	31-120 days	121-365 days	>=365 days	
Gross carrying amount	\$108,415	\$9,481	\$10	\$-	\$1,570	\$119,476
Loss ratio	0.00%	0.28%	100.00%	0.00%	100.00%	
Lifetime expected credit losses	-	(27)	(10)	-	(1,570)	(1,607)
Subtotal	\$108,415	\$9,454	\$-	\$-	\$-	\$117,869
Total						\$151,071

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	\$49,078	\$2,647	\$2,669	\$59,639	\$114	\$114,147
Loss ratio	-%	-%	-%	0.20%	100%	
Lifetime expected credit losses	-	-	-	(116)	(114)	(230)
Subtotal	\$49,078	\$2,647	\$2,669	\$59,523	\$-	\$113,917

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Group 2

	Not yet due (Note)	Overdue				Total
		<=30 days	31-120 days	121-365 days	>=365 days	
Gross carrying amount	\$36,995	\$521	\$-	\$-	\$1,650	\$39,166
Loss ratio	-%	-%	-%	-%	100%	
Lifetime expected credit losses	-	-	-	-	(1,650)	(1,650)
Subtotal	\$36,995	\$521	\$-	\$-	\$-	\$37,516
Total						\$151,433

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

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

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

	Contract Assets	Accounts Receivable
As of January 1, 2021	\$-	\$1,880
Reversal and write off due to receipt	3,999	(1,321)
Acquisition of subsidiaries	-	1,607
Write off due to inability to receive	(3,999)	-
As of December 31, 2021	\$-	\$2,166
Beginning balance	\$-	\$44,110
Reversal and write off due to receipt	-	(42,205)
Write off due to inability to receive	-	(25)
As of December 31, 2020	\$-	\$1,880

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

(18) Operating leases

A. Group as a lessee

The Group leases various properties, including real estate (land and buildings), machinery and equipment, transportation equipment, office equipment and other equipment. The lease terms range from 1 to 5 years.

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The Group'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	\$73,853	\$29,147
Transportation equipment	6,658	-
	<u>\$80,511</u>	<u>\$29,147</u>

The Group's right-of-use assets increased by NT\$94,388 thousand and NT\$27,923 thousand and decreased by NT\$24,648 thousand and NT\$18,469 thousand as from January 1 to December 31, 2021 and 2020.

(b) Lease liabilities

	As of December 31,	
	2021	2020
Lease liabilities	<u>\$81,119</u>	<u>\$29,045</u>
Current	\$22,987	\$11,080
Non-current	\$58,132	\$17,965

Please refer to Note 6 (20) (C) for the interest on lease liabilities recognized for the years ended December 31, 2021 and 2020 and refer to 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

	For the year ended December 31,	
	2021	2020
Buildings	\$16,768	\$18,198
Transportation equipment	1,903	-
	<u>\$18,671</u>	<u>\$18,198</u>

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(C) Income and costs relating to leasing activities

	For the year ended	
	December 31,	
	2021	2020
The expenses relating to short-term leases	\$1,029	\$683
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	283	1,349

(D) Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Group's total cash outflows for leases amounting to NT\$21,145 thousand and NT\$20,804 thousand, respectively.

B. Group as a lessor

The Group signs operating lease contract to lend parts of leasing office and factory and web server. The average lease terms are in 2 years. Because almost all the risk and benefit of the ownership of identified assets were not transferred, the leases were classified as operating lease.

	For the year ended	
	December 31,	
	2021	2020
Rental income from operating lease		
Income relating to fixed rental	\$942	\$-
Income relating to variable rental	869	-
	<u>\$1,811</u>	<u>\$-</u>

The Group signs operating lease contract, the expected total amount of undiscounted rental payment and residual years as of December 31, 2021 and 2020 are as follow:

	As of December 31,	
	2021	2020
Within 1 year	\$2,706	\$-
Between 1-2 years	1,353	-
	<u>\$4,059</u>	<u>\$-</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (19) 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	\$5,369	\$197,281	\$202,650	\$-	\$160,374	\$160,374
Labor and health insurance	487	15,010	15,497	-	12,789	12,789
Pension	95	7,749	7,844	-	7,017	7,017
Other employee benefits expense	422	8,344	8,766	-	8,530	8,530
Depreciation	955	22,877	23,832	-	23,623	23,623
Amortization	-	5,757	5,757	9,063	6,512	15,575

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.

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(20) Non-operating income and expenses

(A) Other income

	For the years ended December 31,	
	2021	2020
Interest income		
Financial assets measured at amortized cost	\$415	\$189
Rental income	1,811	1,520
Tax refund	1,770	17,218
Government support income	1,888	9,060
Other income	13,802	3,733
Total	<u>\$19,686</u>	<u>\$31,720</u>

(B) Other gains and losses

	For the years ended December 31,	
	2021	2020
Losses on disposal of property, plant and equipment	\$(3,220)	\$(128)
Gains on disposal of intangible assets	-	576
Gains on disposal of investments (Note)	1,123,088	1,285
Evaluation loss from financial assets	(4,971)	-
Foreign exchange losses, net	(11,366)	(3,062)
Impairment loss from non-financial assets	(890)	-
Other	(8,754)	(731)
Total	<u>\$1,093,887</u>	<u>\$(2,060)</u>

Note: Gains on disposal of investments is mainly cause by the disposal of Softstar Technology (Beijing) Co., Ltd. and the intellectual property of Chinese Paladin (only Mainland China), please refer to Note6 (25) for the relevant analysis on the disposal of the material assets.

(C) Finance costs

	For the years ended December 31,	
	2021	2020
Interest on borrowings from bank	\$2,981	\$2,287
Interest on lease liabilities	896	449
Total	<u>\$3,877</u>	<u>\$2,736</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Components of other comprehensive income (loss)

For the year ended December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$2,108	\$-	\$2,108	\$168	\$2,276
Unrealized gains or losses from financial assets at fair value through other comprehensive income	27,799	-	27,799	-	27,799
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
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 income	\$45,252	\$-	\$45,252	\$168	\$45,420

For the year ended December 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income (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	7,311	-	7,311	-	7,311
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	\$(9,225)	\$-	\$(9,225)	\$-	\$(9,225)

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(22) 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	\$291,496	\$22,769
Adjustments in respect of current income tax of prior periods	-	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	11,367	14,586
Total income tax expense	<u>\$302,863</u>	<u>\$37,355</u>

(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	<u>\$(168)</u>	<u>\$-</u>

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	<u>\$1,052,491</u>	<u>\$93,767</u>
Tax at the domestic rates applicable to profits in the country concerned	\$210,498	\$18,753
Tax effect of revenues exempt from taxation	5,755	(7,099)
Tax effect of non-deductible expenses from taxation	128,208	12,906
Tax effect of deferred tax assets/liabilities	(94,477)	(9,974)
Overseas withholding tax	<u>52,879</u>	<u>22,769</u>
Total income tax expense recognized in profit or loss	<u>\$302,863</u>	<u>\$37,355</u>

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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	Effect of acquisition of subsidiaries	Ending balance as of December 31, 2021
Temporary differences					
Unrealized bad debt expense	\$-	\$29	\$-	\$-	\$29
Unrealized foreign exchange losses	534	446	-	1	981
Unrealized foreign exchange gains	(40)	35	-	-	(5)
Fiscal and tax differences in amortization of intangible assets	796	(217)	-	-	579
Unrealized loss on inventory valuations	-	823	-	355	1,178
Defined benefit liability, non-current	3,591	(38)	168	(2,630)	1,091
Others	653	27	-	21	701
Unused tax losses	12,472	(12,472)	-	-	-
Deferred tax income/ (expense)		<u>\$(11,367)</u>	<u>\$168</u>	<u>\$(2,253)</u>	
Net deferred tax assets/(liabilities)	<u>\$18,006</u>				<u>\$4,554</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$18,046</u>				<u>\$7,217</u>
Deferred tax liabilities	<u>\$40</u>				<u>\$2,663</u>

For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Recognize Less: d 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)
Unrealized margin in sales return	-	796	796
Defined benefit liability, non-current	3,591	-	3,591
Others	(670)	1,323	653
Unused tax losses	20,721	(8,249)	12,472
Deferred tax income/ (expense)		<u>\$(14,586)</u>	
Net deferred tax assets/(liabilities)	<u>\$32,592</u>		<u>\$18,006</u>
Reflected in balance sheet as follows:			
Deferred tax assets	<u>\$33,969</u>		<u>\$18,046</u>
Deferred tax liabilities	<u>\$1,377</u>		<u>\$40</u>

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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	207,900	\$-	\$124,727	2029
		\$-	\$124,727	

The information of the unused tax losses for Taiwan subsidiaries is as follows:

Year	Tax losses for the period	Unused tax losses		Expiration year
		As of December 31,		
		2021	2020	
2012	\$25,507	\$25,507	\$-	2022
2013	-	-	-	2023
2014	47,004	31,975	-	2024
2015	1,183	1,106	\$1,106	2025
2016	113,084	52,300	60,497	2026
2017	689,817	675,123	27,848	2027
2018	74,143	58,962	74,143	2028
2019	37,620	37,507	26,998	2029
2020	120,168	120,022	1,835	2030
2021	35,042	35,042	-	2031
		\$1,037,544	\$192,427	

Note: As the subsidiary of the Group, Softstar Creative Inc., was dissolved in 2021, the unused tax losses, NT\$45,278 thousand, during 2016 to 2020 were also eliminated.

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\$185,710 thousand and NT\$198,262 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2019
Subsidiary - Loftstar Interactive Entertainment Inc.	Assessed and approved up to 2019
Subsidiary- Activision Entertainment Ltd.	Assessed and approved up to 2019
Subsidiary- Kobe Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Gamebase Digital Media Corporation	Assessed and approved up to 2019
Subsidiary- Uniplus Electronics Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Green Bless Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Hang Zheng Technology Co., Ltd.	Assessed and approved up to 2019

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(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2021	2020
(A) Basic earnings per share		
Net income attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$743,583</u>	<u>\$56,896</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>65,434</u>	<u>64,988</u>
Basic earnings per share (NT\$)	<u>\$11.36</u>	<u>\$0.88</u>
	For the years ended December 31,	
	2021	2020
(B) Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	<u>\$743,583</u>	<u>\$56,896</u>
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)	<u>325</u>	<u>161</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>65,912</u>	<u>65,684</u>
Diluted earnings per share (NT\$)	<u>\$11.28</u>	<u>\$0.87</u>

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.

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(24) Acquisition of business

(A) Obtain control of subsidiary

The Group held 33,632 thousand shares of Uniplus Electronics Co., Ltd. in a private placement, and the shareholdings reached 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. The carrying amount of assets and liabilities of Uniplus Electronics Co., Ltd. and its subsidiaries on the acquisition date are as follow:

	<u>Carrying amount</u>
Cash and cash equivalents	\$282,327
Financial assets at amortized cost, current	107,080
Notes and accounts receivable	108,677
Other receivables	969
Current income tax assets	1,185
Inventories	81,484
Prepayments	31,252
Other current assets	2,032
Financial assets at fair value through other comprehensive income, non-current	77,369
Financial assets at amortized cost, non-current	3,000
Property, plant and equipment	4,014
Intangible assets	15,926
Right-of-use assets	67,358
Deferred tax assets	303
Refundable deposits	5,417
Other noncurrent assets	1,940
Notes and accounts payable	(22,813)
Other payables	(16,933)
Other payables-related parties	(100)
Current income tax liabilities	(302)
Other current liabilities	(926)
Deferred tax liabilities	(2,621)
Lease liabilities	(67,597)
Other noncurrent liabilities	(2,766)
Total net assets of Uniplus Electronics Co., Ltd. and its subsidiaries	<u>676,275</u>
Percentage of ownership	<u>34.39%</u>
Net assets attributed based on percentage of ownership	232,571
Fair value of the equity investment on the date of acquisition	<u>350,000</u>
Goodwill	<u>\$117,429</u>
Gain on disposal of investment accounted for using the equity method	
Fair Value of remaining investments	\$160,048
Less: Carrying amount of net assets on the disposal date	<u>(160,554)</u>
Gains (losses) on disposal of investments	<u><u>\$(505)</u></u>

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Cash outflow of acquiring the subsidiary

	<u>Carrying amount</u>
Cash consideration paid in current year	\$282,327
Less: Balance of cash and equivalent cash acquired	<u>107,080</u>
Cash outflow of acquiring the subsidiary, net	<u><u>108,677</u></u>

The carrying amount of net assets recognized in the financial statement as of December 31, 2021 is estimated based on the tentative fair value. The Group is seeking for the independent appraisal of the assets held by Uniplus Electronics Co., Ltd., but has not yet received the result as of the day management issue the financial statement

(B) Equity transactions with non-controlling interests

- a. The Company purchased the remaining non-controlling interests of 400,000 thousand shares from Cite Publishing Limited on March 30, 2021, and the shareholdings of Gamebase Digital Media Corporation held by the Company increased from 93.85% to 100%. As the aforementioned transaction did not change the Group's control over the subsidiary, the Group regarded it as an equity transaction.

	<u>Carrying amount</u>
Payment for cash consideration	\$(1,000)
Carrying amount of net asset of the subsidiary should be transferred out from non-controlling interests calculated by corresponding change of equity	<u>83</u>
Difference in equity transaction	<u><u>\$(917)</u></u>
Adjustment account for difference in equity transaction	
Unappropriated earnings	<u><u>\$(917)</u></u>

- b. The Company acquired 100% shareholdings of Uniplus Electronics Co., Ltd.'s subsidiaries, JFN Investment Holding Corp., Lanjing Ltd., and Jiwei Technology Ltd., from Uniplus Electronics Co., Ltd., with a total transaction amount of NT\$109,526 thousand, including 34.39% of reorganization and 65.61% of equity transactions.

	<u>Carrying amount</u>
Payment for cash consideration	\$(71,860)
Carrying amount of net asset of the subsidiaries acquired	<u>71,968</u>
Difference between consideration and carrying amount of subsidiaries acquired	<u><u>\$108</u></u>
Adjustment account for difference in equity transaction	
Additional paid-in capital	<u><u>\$108</u></u>

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(25) 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.

Gain (loss) on disposal of the investment is disclosed below:

Cash consideration received in the current period	\$1,680,706
Less: Groups held for sale	(456,535)
Less: Broker fees payable	(83,936)
Less: Exchange losses resulting from translating the financial statements of foreign operations	(15,345)
Less: Other	(1,296)
Net gain on disposal of the investment	<u>\$1,123,594</u>

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(26) Subsidiaries with material non-controlling interests

Financial information of the subsidiaries with material non-controlling interests are provided below:

Proportion of equity interests held by non-controlling interests:

<u>Name</u>	<u>Country of operation</u>	<u>As of December 31, 2021</u>	<u>As of December 31, 2020</u>
Uniplus Electronics Co., Ltd. and its subsidiaries	Taiwan	65.61%	-

Note: The aforementioned percentage of equity interests refers to the total shareholding ratio of non-controlling interests. As Uniplus Electronics Co., Ltd. holds subsidiaries, the information below is consolidated financial information.

	<u>As of December 31, 2021</u>	<u>As of December 31, 2020</u>
Accumulated balance of material non-controlling interests:		
Uniplus Electronics Co., Ltd. and its subsidiaries	\$472,300	\$-

	<u>As of December 31, 2021</u>	<u>As of December 31, 2020</u>
Profit/(loss) allocated to material non-controlling interests:		
Uniplus Electronics Co., Ltd. and its subsidiaries	\$6,045	\$-

The summarized financial information of the subsidiaries is provided below; the information is based on amounts before inter-company eliminations.

Summarized information of profit or loss for the year ended December 31, 2021:

	<u>Uniplus Electronics Co., Ltd. and its subsidiaries</u>
Operating revenue	\$387,231
Profit for current period from continuing operations	12,900
Total comprehensive income for current period	34,361

Summarized information of assets and liabilities as of December 31, 2021:

	<u>Uniplus Electronics Co., Ltd. and its subsidiaries</u>
Current assets	\$702,475
Non-current assets	105,873
Current liabilities	42,333
Non-current liabilities	46,155

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Summarized cash flow information for the year ended December 31, 2021:

	<u>Uniplus Electronics Co., Ltd. and its subsidiaries</u>
Operating activities	\$(5,344)
Investing activities	2,910
Financing activities	(13,166)
Net decrease in cash and cash equivalents	(14,830)

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<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 key management of the Company is the responsible person of this company
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
Uniplus Electronics Co., Ltd. (Note 3)	Associate
A.R.T. Games Co., Ltd.	Associate
Softstar Technology (Shanghai) Co., Ltd. (Note 4)	Associate
Softstar Technology (Beijing) Co., Ltd. (Note 4)	Associate
Chander Electronics Corp. (Note 5)	Associate
Double Edge Entertainment Corp.	Other related parties

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Note 1: Due to the 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: 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 5: 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) Sales

	For the years ended December 31,	
	2021	2020
Rendering of services		
Associates		
Uniplus Electronics Co., Ltd.(Note)	\$95	\$-
Other related parties		
Bacchus Wine Group Co., Ltd.	1,720	\$105
Galaxy Power Holdings Limited	686	-
Care & Love Wine Co., Ltd.	570	-
	<u>\$3,071</u>	<u>\$105</u>

The sales terms of 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 the third party customers.

Note: It was the transaction between Gamebase Digital Media Corporation and Uniplus Electronics Co., Ltd. before Uniplus Electronics Co., Ltd. was consolidated.

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(2) Operating cost

	For the years ended	
	December 31,	
	2021	2020
Other related parties		
Softstar Technology (Shanghai) Co., Ltd.	\$207	\$-
Others	-	5
Total	<u>\$207</u>	<u>\$5</u>

The operating cost was labor cost and royalty costs of the related parties.

(3) Operating expenses

	For the years ended	
	December 31,	
	2021	2020
Associates		
Chander Electronics Corp.	\$130	\$-
A.R.T. Games Co., Ltd.	11,024	-
Uniplus Electronics Co., Ltd. (Note)	114	-
Other related parties		
Bacchus Wine Group Co., Ltd.	867	-
Newlogistics Co., Ltd.	207	745
Care & Love Wine Co., Ltd.	174	-
Global Angel Investments Limited	91	952
Others	-	301
Total	<u>\$12,607</u>	<u>\$1,998</u>

Note: It was the transaction between Softstar Entertainment Inc. and Uniplus Electronics Co., Ltd. before Uniplus Electronics Co., Ltd. was consolidated.

(4) Accounts receivable-related parties

	As of December 31,	
	2021	2020
Other related parties		
Bacchus Wine Group Co., Ltd.	\$150	\$-
Galaxy Power Holdings Limited	75	-
Care & Love Wine Co., Ltd.	74	-
	<u>\$299</u>	<u>\$-</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Other receivable-related parties

	As of December 31,	
	2021	2020
Associates		
Chander Electronics Corp.	\$44	\$-
Other related parties		
Other	-	5
Total	<u>\$44</u>	<u>\$5</u>

(6) Prepayments

	As of December 31,	
	2021	2020
Other related parties		
Galaxy Power Holdings Limited	\$9,524	\$-
Double Edge Entertainment Corp.	972	-
Global Angel Investments Limited	165	330
Newlogistics Co., Ltd.	-	700
Total	<u>\$10,661</u>	<u>\$1,030</u>

Prepayment-related parties relates to prepayments for purchases and rents.

(7) Accounts payable-related parties

	As of December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	<u>\$990</u>	<u>\$-</u>

(8) Other payables-related parties

	As of December 31,	
	2021	2020
Other related parties		
Bacchus Wine Group Co., Ltd.	<u>\$100</u>	<u>\$-</u>

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(9) Asset 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	\$-

(10) Lease-related parties

(A) Right-of-use assets

	As of December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	\$9,360	\$21,021

(B) Lease liabilities

	As of December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	\$9,412	\$21,348

(C) Interest expenses

	For the years ended December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	\$266	\$40

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(11) Financial assets at fair value through profit or loss

	As of December 31,	
	2021	2020
Other related parties		
A.R.T. Games Co., Ltd.	\$9,524	\$-
Galaxy Power Holdings Limited	7,619	-
Total	<u>\$17,143</u>	<u>\$-</u>

The Group signed the contracts of cooperative game development and publishing with A.R.T. Games Co., Ltd. and Galaxy Power Holdings Limited, please refer to Note 6 (6) for further details.

(12) 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 the 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.

(13) 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.

(14) The Board of the Company held on December 24, 2021 resolved to acquire 100% of Mega Media Group Limited's shares from the related party, Global Angel Investments Limited, through the subsidiary, Gamebase Digital Media Corporation, with a total transaction amount of NT\$93,260 thousand.

(15) Other

Other transactions between the Company and associates are summarized below:

	For the years ended December 31,	
	2021	2020
Other income	<u>\$44</u>	<u>\$-</u>

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

	For the years ended December 31,	
	2021	2020
Interest income	\$4	\$-

(16) Key management personnel compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$44,228	\$19,666
Post-employment benefits	542	350
Termination benefits	-	-
Other long-term benefits	4,020	474
Share-based payment	299	9,725
Total	\$49,089	\$30,215

8. Assets pledged as security

The following table lists assets of the Group 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
Other financial assets	10,082	-	Import duty guaranty
Total	\$50,517	\$41,031	

9. Commitments and contingencies

None.

10. Loss due to major disasters

None.

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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>	As of December 31,	
	2021	2020
Financial assets at fair value through profit or loss	\$55,037	\$-
Financial assets at fair value through other comprehensive income	111,972	63,315
Financial assets measured at amortized cost (Note 1)	2,112,617	439,118
Total	<u>\$2,279,626</u>	<u>\$502,433</u>

<u>Financial liabilities</u>	As of December 31,	
	2021	2020
Financial liabilities at amortized cost:		
Accounts payable	\$213,859	\$119,674
Long-term borrowings (including current portion)	150,151	131,318
Lease liabilities	81,119	29,045
Total	<u>\$445,129</u>	<u>\$280,037</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.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency A and foreign currency B. The information of the sensitivity analyses as follows:

- (A) When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended December 31, 2021 and 2020 is decreased/increased by NT\$11,492 thousand and NT\$410 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\$1,130 thousand and NT\$2,213 thousand, respectively.
- (C) When NTD strengthens/weakens against HKD by 1%, the profit or loss for the years ended December 31, 2021 and 2020 is decreased/ increased by NT\$835 thousand and NT\$0 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group 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 Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under financial asset at fair value through other comprehensive income (available-for-sale financial assets in 2020). The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

As of December 31, 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 could have an impact of NT\$1,845 thousand and NT\$1,694 thousand on the equity attributable to the Group 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 Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2021, and December 31, 2020, accounts receivable and contract assets from top ten customers represent 20.27% and 49.32% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivable is relatively insignificant.

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Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies, and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than				
	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2021					
Accounts payable (including other payables)	\$213,859	\$-	\$-	\$-	\$213,859
Long-term borrowings (including estimated interest)	77,627	48,039	27,492	-	\$153,158
Lease liabilities (Note)	24,606	40,666	18,710	314	84,296
As of December 31, 2020					
Accounts payable (including other payables)	\$119,674	\$-	\$-	\$-	\$119,674
Long-term borrowings (including estimated interest)	67,229	40,505	26,205	-	133,939
Lease liabilities (Note)	11,969	7,748	7,731	3,701	31,149

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

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(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 31, 2021	\$-	\$131,318	\$29,045	\$160,363
Cash flows	-	18,833	(19,833)	(1,000)
Non-cash changes	-	-	71,907	71,907
As of December 31, 2021	\$-	\$150,151	\$81,119	\$231,270

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 31, 2020	\$-	\$107,742	\$37,889	\$145,631
Cash flows	-	23,576	(18,969)	4,607
Non-cash changes	-	-	10,125	10,125
As of December 31, 2020	\$-	\$131,318	\$29,045	\$160,363

(7) Fair values of financial instruments

(A) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, accounts receivables, refundable deposits, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

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- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method or income approach valuation techniques. The market method valuation is based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities). The income method is based on the estimated recoverable amount of the present value of similar financial assets that are expected to be received from cash dividends or disposals of investments.
- (d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- (e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(B) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and financial liabilities measured at amortized cost is approximate their fair value.

(C) Fair value measurement hierarchy for financial instruments

Please refer to Note 12 (8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

(A) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

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Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(B) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 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
Contract of profit sharing right on game release	-	-	17,143	17,143
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	4,134	14,314	93,524	111,972

As of December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	\$3,814	\$13,132	\$46,369	\$63,315

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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:

	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>
	Measured at fair value through profit or loss	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	Fund	Profit sharing contract of game development and publishing	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 profit or loss (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)	-	-	27,155
Acquired in 2021	42,865	17,143	20,000
Ending balances as of December 31, 2021	<u>\$37,894</u>	<u>\$17,143</u>	<u>\$93,524</u>

	<u>Assets</u>
	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 profit or loss					
Profit sharing contract of game development and publishing	Discount in cash flow	Discounting rate	12%	The higher the discount rate, the lower the fair value of the contract.	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$1,714 thousand
Financial assets at fair value through other comprehensive income					
Stocks	Income approach	Discount for lack of marketability	16%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$9,352 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 Group's equity by NT\$4,637 thousand

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Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

(Expressed in thousands)			
December 31, 2021			
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$41,613	27.68	\$1,151,860
JPY	11,280	0.24	2,747
RMB	26,107	4.34	113,341
HKD	16	3.55	55
<u>Financial liabilities</u>			
Monetary items:			
USD	99	27.68	2,728
RMB	73	4.34	316
HKD	23,544	3.55	83,583
December 31, 2020			
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$1,662	28.48	\$47,328
RMB	50,525	4.38	221,300
<u>Financial liabilities</u>			
Monetary items:			
USD	222	28.48	6,327

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The above information is disclosed based on the carrying amount of foreign currency (after conversion of functional currency).

The Group has a variety of functional currencies, therefore the monetary impact on financial assets and liabilities impact for each individual currency cannot be disclosed. For the year ended December 31, 2021 and 2020, foreign exchange losses were NT\$11,366 thousand and NT\$3,062 thousand, respectively.

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional disclosure

(1) Information at significant transactions

- (A) Financing provided to other: Please refer to Attachment 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.

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(2) Information on investees

Names, locations, and other information (excluding investment in Mainland China): Please refer to Attachment 3.

(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) Major Shareholder Information

Shareholding information of major shareholders : Please refer to Attachment 6.

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

Operating Department: this segment is mainly responsible for researching, licensing, and sales of products.

Research and Development Department: this segment is mainly responsible for researching, licensing, and sales of products in Mainland China.

Electronic Products Department: this segment is mainly responsible for manufacturing, designing, and sales of electronic products.

Beauty Products Department: this segment is mainly responsible for manufacturing and sales of beauty and skincare products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

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(1) The following table presents segment profit and loss of the Group' operating segments:

(Expressed in thousands)

For the year ended December 31, 2021						
	Operating Department	Research and development and licensing segment	Electronic Products Department	Beauty Products Department	Adjustment and elimination	Total
Revenue						
External customer	\$119,385	\$312,797	121,087	\$6,137	\$-	\$559,406
Inter-segment	10,307	53,493	104,303	-	(168,103)	-
Total revenue	\$129,692	\$366,290	\$225,390	\$6,137	\$(168,103)	\$559,406
Segment (loss) profit	\$22,072	\$(1,217)	\$3,034	\$(441)	\$-	\$23,448

(Expressed in thousands)

For the year ended December 31, 2021						
	Operating Department	Research and development and licensing segment	Electronic Products Department	Beauty Products Department	Adjustment and elimination	Total
Revenue						
External customer	\$177,009	\$368,360	\$-	\$-	\$-	\$545,369
Inter-segment	17,184	60,229	-	-	(77,413)	-
Total revenue	\$194,193	\$428,589	\$-	\$-	\$(77,413)	\$545,369
Segment (loss) profit	\$36,218	\$101,886	\$-	\$-	\$-	\$138,104

Inter-segment revenue is eliminated on consolidation and recorded under the “adjustment and elimination” column, all other adjustments and eliminations are disclosed below.

The following table presents segment assets of the Group's operating segments as at December 31, 2021 and 2020:

Operating segment assets

	Operating Department	Research and development and licensing segment	Electronic Products Department	Beauty Products Department	Reportable operating segments	Adjustment and elimination	Total
December 31, 2021	\$204,636	\$3,298,435	\$964,034	\$18,165	\$4,485,270	\$(1,477,608)	\$3,007,662
December 31, 2020	\$97,211	\$1,761,479	\$-	\$-	\$1,858,690	\$(641,593)	\$1,217,097

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Operating segment liabilities

	Operating Department	Research and development and licensing segment	Electronic Products Department	Beauty Products Department	Reportable operating segments	Adjustment and elimination	Total
December 31, 2021	\$47,557	\$1,026,474	\$214,285	\$1,578	\$1,289,894	\$(421,018)	\$868,876
December 31, 2020	\$88,275	\$304,991	\$-	\$-	\$393,266	\$(49,057)	\$344,209

Note: After the Group obtained controls of the subsidiaries, Electronic Products and Beauty Products Departments were added into the reportable operating segments.

Other reconciliations of reportable segments

	For the years ended December 31,	
	2021	2020
Total profit or loss for reportable segments	\$23,448	\$138,104
Other profit or loss	1,029,043	(44,337)
Profit before tax from continuing operations	\$1,052,491	\$93,767

(3) Geographical information

Revenue from external customers:

	For the years ended December 31,	
	2021	2020
Taiwan	\$135,919	\$67,343
Mainland China	201,837	261,750
United States	57,251	
Other	164,399	216,276
Total	\$559,406	\$545,369

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

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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.	-	Financial assets at fair value through other comprehensive income, non-current	1,315	14,314	2.74%	14,315	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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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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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 4: Written-off when preparing the consolidated statement.

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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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

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 (Note 3)
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	0.89%
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	-	-	-	(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%	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%	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%	24,282	1,668	(238)	Subsidiary
Softstar Entertainment Inc.	JFN Investment Holding Corp.	BVI	Investment holding	71,830	-	12	100%	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	Softstar International Inc.	Cayman Island	Investment holding	-	-	-	-	-	(Note7)	-	(Note7)
Softstar International Inc.	Sofstar Global Inc.	Mauritius	Investment holding	-	162,277	-	-	-	-	-	(Note8)
Gamebase Digital Media Corporation	Niusnews Co., Ltd.	Taiwan	Advertisement and information software	34,980	-	318	8.93%	34,980	(Note11)	-	Indirect subsidiary(Note9)

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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			
Gamebase Digital Media Corporation	Mega Media Group Limited	Seychelles	Investment holding	93,264	-	2,800	100%	93,264	(2)	-	Indirect subsidiary(Note9)
Mega Media Group Limited	Niusnews Co., Ltd.	Taiwan	Advertisement and information software	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%	26,137	(4,953)	(7,451)	Indirect subsidiary (Note3)
Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Taiwan	Wholesale of electronic equipments	10,000	10,000	1,000	100%	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%	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\$541 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.

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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%

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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/	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable	
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.

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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	\$-	