**SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS WITH REPORT OF INDEPENDENT AUDITORS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Registration Address: 6F., No. 85, Section 4, Ren'ai Road, Da'an District, Taipei, Taiwan
Office Phone No.: (02)2722-6266

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**

# INDEX

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2020 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 12, 2021

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, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, 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 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on these matters.

*Revenue Recognition —Royalties*

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

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

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

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

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

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

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

*Revenue Recognition —Virtual Items*

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

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

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

2. Obtaining the game credit consumption data and revenue calculation sheets for each game, testing samples by confirming the correctness of the calculations, obtaining the recharge records, the game credit consumption records, and the downloaded revenue reports for each platform, and vouching to the calculation sheets of the Company and its subsidiaries' accounts.

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

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

**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 2020 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, 2020 and 2019 with an unqualified opinion and an unqualified opinion with emphasis of matter from us.

Yu, Chien-Ju
Yang, Chih-Huei

Ernst & Young, Taiwan
March 12, 2021

**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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| Assets | Notes | As of December 31, 2020 | As of December 31, 2019 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 4 and 6 | $238,201 | $171,579 |
| Contract assets, current | 4 and 6 | 53,217 | 72,418 |
| Notes receivable, net | 4 | 957 | 1,783 |
| Other notes receivable-related parties, net | 4 and 7 | - | 3,123 |
| Accounts receivable, net | 4 and 6 | 150,476 | 109,224 |
| Accounts receivable-related parties, net | 4, 6 and 7 | - | 11 |
| Other receivables | 4 | 189 | 24 |
| Other receivables-related parties | 4 and 7 | 5 | 1,341 |
| Current income tax assets | 4 | 556 | 4,149 |
| Inventories, net | 4 and 6 | 645 | 1,685 |
| Prepayment | 7 | 30,237 | 51,869 |
| Other financial assets, current | 8 | 14,033 | 1,493 |
| **Total current assets** | | 488,516 | 418,699 |
| **Non-current assets** | | | |
| Financial assets at fair value through other comprehensive income, non-current | 4 and 6 | 63,315 | 55,992 |
| Investments accounted for using the equity method | 4 and 6 | 542,008 | 3,999 |
| Contract assets, non-current | 4 and 6 | 25,842 | 12,070 |
| Property, plant and equipment, net | 4 and 6 | 8,147 | 37,891 |
| Right-of-use assets | 4 and 6 | 29,147 | 8,412 |
| Intangible assets | 4 and 6 | 5,229 | 33,969 |
| Deferred tax assets | 4 and 6 | 18,046 | 7,999 |
| Refundable deposits | | 8,551 | 1,296 |
| Prepayment for investments | | 1,296 | 30,000 |
| Other financial assets, non-current | | 27,000 | 820,242 |
| **Total non-current assets** | 8 | 728,581 | 3,999 |
| **Total assets** | | $1,217,097 | $1,238,941 |

| Liabilities and Equity | Notes | As of December 31, 2020 | As of December 31, 2019 |
|---|---|---|---|
| **Current liabilities** | | | |
| Contract liabilities, current | 4 and 6 | $27,010 | $47,690 |
| Accounts payable | | 74,145 | 91,389 |
| Accounts payable-related parties | 7 | - | 36,437 |
| Other payables | 6 | 45,529 | 71,248 |
| Other payables-related parties | 7 | - | 67 |
| Current income tax liabilities | 4 and 6 | 14,779 | 17,549 |
| Lease liabilities, current | 4, 6 and 7 | 11,080 | 25,430 |
| Current portion of long-term borrowings | 4, 6 and 8 | 65,919 | 50,350 |
| Other current liabilities | | 1,133 | 1,314 |
| **Total current liabilities** | | 239,595 | 341,474 |
| **Non-current liabilities** | | | |
| Long-term borrowings | 4, 6 and 8 | 65,399 | 57,392 |
| Deferred tax liabilities | 4 and 6 | 40 | 1,377 |
| Lease liabilities, non-current | 4 and 6 | 17,965 | 12,459 |
| Other non-current liabilities | | 313 | 313 |
| Net defined benefit liabilities | 4 and 6 | 20,897 | 20,986 |
| **Total non-current liabilities** | | 104,614 | 92,527 |
| **Total liabilities** | | 344,209 | 434,001 |
| **Equity attributable to the parent company** | 4 and 6 | | |
| Common stock | | 630,643 | 492,945 |
| Additional paid-in capital | | 112,360 | 162,992 |
| Retained earnings | | | |
| Legal reserve | | 47,123 | 14,582 |
| Special reserve | | 281,771 | 129,557 |
| Unappropriated earnings | | 98,402 | 325,404 |
| Other components of equity | | (297,625) | (320,583) |
| **Total equity attributable to the parent company** | | 872,674 | 804,897 |
| **Non-controlling interests** | | 214 | 43 |
| **Total equity** | | 872,888 | 804,940 |
| **Total liabilities and equity** | | $1,217,097 | $1,238,941 |

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, 2020 and 2019

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

| Item | Notes | For the Years Ended December 31, 2020 | 2019 |
|---|---|---|---|
| **Net sales** | 4, 5, 6 and 7 | $545,369 | $565,818 |
| **Cost of goods sold** | | (89,939) | (91,002) |
| **Gross profit** | | 455,430 | 474,816 |
| **Operating expenses** | 6 and 7 | | |
| Sales and marketing expenses | | (120,585) | (166,881) |
| General and administrative expenses | | (72,394) | (139,568) |
| Research and development expenses | | (166,552) | (324,943) |
| Expected credit losses | | 42,205 | (61,004) |
| Subtotal | | (317,326) | (692,396) |
| **Operating income** | | 138,104 | (217,580) |
| **Non-operating income and expenses** | | | |
| Other income | 6 | 31,720 | 7,872 |
| Other gains and losses | 6 | (2,060) | 618,197 |
| Finance costs | 6 | (2,736) | (5,649) |
| Share of profit or loss of associates and joint ventures accounted for using equity method | | (71,261) | (66,973) |
| Subtotal | | (44,337) | 553,447 |
| **Profit before income tax** | | 93,767 | 335,867 |
| **Income tax expense** | 4 and 6 | (37,355) | (12,050) |
| **Net income** | | 56,412 | 323,817 |
| **Other comprehensive income (loss)** | 4 and 6 | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of defined benefit plans | | 89 | 328 |
| Unrealized gains or losses from financial assets at fair value through other comprehensive loss | | 7,311 | (133,514) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences resulting from translating the financial statements of foreign operations | | (16,625) | 9,154 |
| **Total other comprehensive loss, net of tax** | | (9,225) | (124,032) |
| **Total comprehensive income** | | $47,187 | $199,785 |
| **Net income attributable to:** | | | |
| Stockholders of the parent | | $56,896 | $326,039 |
| Non-controlling interests | | (484) | (2,222) |
| | | $56,412 | $323,817 |
| **Comprehensive income (loss) attributable to:** | | | |
| Stockholders of the parent | | $47,671 | $202,007 |
| Non-controlling interests | | (484) | (2,222) |
| | | $47,187 | $199,785 |
| **Earnings per share (NTD)** | 4 and 6 | | |
| Earnings per share-basic | | $0.91 | $5.26 |
| Earnings per share-diluted | | $0.90 | $5.19 |

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

| Description | Common Stock | Additional Paid-in Capital | Retained Earnings: Legal Reserve | Retained Earnings: Special reserve | Retained Earnings: Unappropriated Earnings | Others Components of Equity: Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations | Others Components of Equity: Unrealized Gains or Losses from Financial Assets at Fair Value Through Other Comprehensive Loss | Others Components of Equity: Unearned Stock-Based Employee Compensation | Treasury Share | Total | Non-Controlling Interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance as of January 1, 2019 | $477,945 | $179,197 | $1,925 | $15,648 | $126,566 | $(7,874) | $(149,537) | $(157,500) | $- | $486,370 | $116 | $486,486 |
| Appropriation and distribution of 2017 retained earnings | | | | | | | | | | | | |
| Legal reserve | - | - | 12,657 | - | (12,657) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 113,909 | (113,909) | - | - | - | - | - | - | - |
| Net profit (loss) in 2019 | - | - | - | - | 326,039 | - | - | - | - | 326,039 | (2,222) | 323,817 |
| Other comprehensive income (loss) in 2019 | - | - | - | - | 328 | 9,154 | (133,514) | - | - | (124,032) | - | (124,032) |
| Total comprehensive income (loss) | - | - | - | - | 326,367 | 9,154 | (133,514) | - | - | 202,007 | (2,222) | 199,785 |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | - | - | (19) | (19) |
| Changes in ownership interests in subsidiaries | - | (1,205) | - | - | (963) | - | - | - | - | (2,168) | 2,168 | - |
| Share-based payment transactions | 15,000 | (15,000) | - | - | - | - | - | 118,688 | - | 118,688 | - | 118,688 |
| Balance as of December 31, 2019 | $492,945 | $162,992 | $14,582 | $129,557 | $325,404 | $1,280 | $(283,051) | $(38,812) | $- | $804,897 | $43 | $804,940 |
| 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 | $492,635 | $161,649 | $47,123 | $281,771 | $187,121 | $(15,345) | $(275,740) | $(6,540) | $1,023 | $872,674 | $214 | $872,888 |

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

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

| | For the Years Ended December 31, | |
|---|---|---|
| **Description** | **2020** | **2019** |
| Cash flows from operating activities: | | |
| Net income before tax | $93,767 | $335,867 |
| Adjustments for: | | |
| Depreciation | 23,623 | 36,894 |
| Amortization | 15,575 | 9,076 |
| Expected credit (gain) losses | (42,205) | 61,004 |
| Interest expense | 2,736 | 5,649 |
| Interest income | (189) | (1,114) |
| Share-based payments expense | 31,642 | 118,688 |
| Share of net loss of associates and joint ventures accounted for using equity method | 71,261 | 66,973 |
| Loss on disposal of property, plant and equipment | 128 | 18 |
| Gain on disposal of intangible assets | (576) | - |
| Gain on disposal of investment | - | (641,077) |
| Loss on lease modification | 25 | - |
| Impairment loss from non-financial assets | 957 | 9,426 |
| Changes in operating assets and liabilities: | | |
| Contract assets | (2,642) | 3,641 |
| Notes receivable, net | 826 | (552) |
| Accounts receivable, net | 953 | (76,574) |
| Accounts receivable-related parties, net | 11 | 5,150 |
| Other receivables | (165) | 850 |
| Other receivables-related parties | 4,459 | (9,908) |
| Inventories, net | 83 | 132 |
| Prepayment | 21,632 | 53,178 |
| Costs to fulfill a contract | - | (62,453) |
| Contract liabilities | (20,868) | 41,265 |
| Accounts payable | (17,244) | 22,619 |
| Accounts payable-related parties | (36,437) | 38,559 |
| Other payables | (25,258) | 21,152 |
| Other payables-related parties | (67) | 5,259 |
| Other current liabilities | 7 | 72 |
| Net defined benefit liabilities | - | 86 |
| Cash provided by operations | 122,034 | 43,880 |
| Interest received | 189 | 1,114 |
| Interest paid | (2,748) | (5,612) |
| Income tax paid | (21,946) | (23,563) |
| Net cash provided by operating activities | 97,529 | 15,819 |
| Cash flows from investing activities: | | |
| Financial assets at fair value through other comprehensive income | (12) | - |
| Increase in prepayment for investments | - | (1,296) |
| Disposal of subsidiaries (net of cash acquired) | (1,280) | (583,737) |
| Acquisition of property, plant and equipment | (1,958) | (2,889) |
| Proceeds from disposal of property, plant and equipment | 328 | 91 |
| Decrease (increase) in refundable deposits | (552) | 1,882 |
| Acquisition of intangible assets | (12,448) | (7,925) |
| Proceeds from disposal of intangible assets | 632 | - |
| Other financial assets | (9,540) | 36,620 |
| Net cash used in investing activities | (24,830) | (557,254) |
| Cash flows from financing activities: | | |
| Increase in short-term borrowings | 30,000 | 125,706 |
| Decrease in short-term borrowings | (30,000) | (95,000) |
| Proceeds from long-term borrowings | 25,000 | 80,000 |
| Repayment of long-term borrowings | (1,424) | (56,860) |
| Increase in guarantee deposits received | - | 502,558 |
| Cash dividends | (9,858) | - |
| Repayment of the principal portion of lease liabilities | (18,772) | (29,359) |
| Treasury stock transactions | (1,023) | - |
| Net cash (used in)/provided by financing activities | (6,077) | 527,045 |
| Net foreign exchange difference | - | 5,559 |
| Net increase (decrease) in cash and cash equivalents | 66,622 | (8,831) |
| Cash and cash equivalents at beginning of year | 171,579 | 180,410 |
| Cash and cash equivalents at end of year | $238,201 | $171,579 |

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(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, 2020 and 2019 were authorized for issue by the Board of Directors on March 12, 2021.

## 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 2020. 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 | Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) | 1 January 2021 |

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2021 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 | 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 |
| e | Disclosure Initiative - Accounting Policies – Amendments to IAS 1 | 1 January 2023 |
| f | Definition of Accounting Estimates – Amendments to IAS 8 | 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.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

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

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

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

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) 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.

*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.

(e) 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.

(f) 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.

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, it is not practicable to estimate their impact on the Group at this point in time.

## 4. Summary of significant accounting policies

### (1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2020 and 2019 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.

If the Company loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

| | | | Percentage of ownership (%) | | |
|---|---|---|---|---|---|
| Investor | Subsidiary | Main businesses | December 31, 2020 | December 31, 2019 | Note |
| The Company | SOFTSTAR INTERNATIONAL INC. (SII) | Investment holdings | 100 | 100 | |
| The Company | LOFTSTAR INTERACTIVE ENTERTAINMENT INC. | Software wholesale and software services | 100 | 100 | |
| The Company | SOFTSTAR AGENCY CO., LTD. | Online video and show production | 100 | 100 | |
| The Company | MARSWARE ENTERTAINMENT INC. | Network software development and technical services, etc. | - | 100 | Note 1 |
| The Company | SOFTSTAR CREATIVE INC. | Software wholesale and software services | 100 | 100 | Note 2 |
| The Company | KOBE CO., LTD. | Investment holdings | 100 | 100 | |
| The Company | GAMEBASE DIGITAL MEDIA CORPORATION | Software services and information processing services, etc. | 93.85 | 92.73 | Note 3 |
| LOFTSTAR INTERACTIVE ENTERTAINMENT INC. | PERFECTEN CORPORATION | Network software development and technical services, etc. | - | 100 | Note 4 |
| SOFTSTAR INTERNATIONAL INC. (SII) | MAURITIUS WEBSTAR INC. (MWI) | Investment holdings | - | 100 | Note 5 |
| SOFTSTAR INTERNATIONAL INC. (SII) | SOFTSTAR GLOBAL INC. (SGI) | Investment holdings | 100 | 100 | |
| SOFTSTAR INTERNATIONAL INC. (SII) | SOFTSTAR ANIMATION LIMITED (SAL) | Investment holdings | 100 | 100 | |
| SOFTSTAR GLOBAL INC. (SGI)) | SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD. | Computer hardware and network technology research and development | - | 100 | Note 6 |

Note 1: MARSWARE ENTERTAINMENT INC. was dissolved in November 2018 and returned the share capital on March 30, 2020.

Note 2: SOFTSTAR CREATIVE INC. was dissolved in December 2020, and is still in the liquidation process.

Note 3: On December 14, 2017, the Company purchased 80% of Gamebase Digital Media Corporation's shares from CITE PUBLISHING LTD. for operational strategy purposes. In addition, in August 2018, Gamebase Digital Media Corporation increased its capital by NT$10,000 thousand in cash. The capital increase represents 1,000 thousand shares, all of which were subscribed by the Company. After the capital increase, the Company owns 86.67% of Gamebase Digital Media Corporation's shares. Gamebase Digital Media Corporation increased its capital by NT$5,000 thousand, NT$5,000 thousand, NT$10,000 thousand and NT$5,000 thousand in January, March, May and October 2019, respectively, totaling NT$25,000 thousand and 2,500 thousand shares. The new shares were subscribed by the Company and the registration process is completed. After the capital increase, the Company owns 92.73% of Gamebase Digital Media Corporation's shares. 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 new shares were subscribed by the Company and the registration process is completed. After the capital increase, the Company owns 93.85% of Gamebase Digital Media Corporation's shares.

Note 4: PERFECTEN CORPORATION was dissolved in November 2018 and returned the share capital on June 8, 2020.

Note 5: In order to integrate the Group's resources, MAURITIUS WEBSTAR INC. (MWI) completed the liquidation procedure on May 22, 2020.

Note 6: In order to integrate the Group's resources, SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD. completed the liquidation procedure on January 15, 2020.

(4) Foreign currency transactions

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

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

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

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

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

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

All other assets are classified as non-current.

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

(A) Financial instruments: Recognition and Measurement

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

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

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

*Financial assets measured at amortized cost*

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

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

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

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

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

*Financial asset measured at fair value through other comprehensive income*

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

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

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

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

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

*Financial asset measured at fair value through profit or loss*

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

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

(B) Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
(d) For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(C) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(D) Financial liabilities and equity

<u>Classification between liabilities or equity</u>

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(E) Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

(11) Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

(12) Property, plant and equipment

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

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

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

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

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

(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.

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.

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:

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

(15) Impairment of non-financial assets

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

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

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

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

(16) Provisions

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

Sales returns and allowances

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

(17) Treasury stocks

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

(18) Revenue recognition

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Costs to fulfill a contract

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

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

(19) Borrowing Costs

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

(20) 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.

(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.

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.

(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.

(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. 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.

E. Income tax

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

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

6. Contents of significant accounts

(1) Cash and cash equivalents

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Cash on hand & petty cash | $294 | $291 |
| Checking and saving accounts | 237,907 | 171,288 |
| Total | $238,201 | $171,579 |

(2) Accounts receivable and Accounts receivable-related parties

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Accounts receivable | $152,928 | $155,920 |
| Less: allowance for sales returns and discounts | (572) | (2,856) |
| Loss allowance | (1,880) | (44,110) |
| Subtotal | 150,476 | 109,224 |
| Accounts receivable from related parties | - | 11 |
| Total | $150,476 | $109,235 |

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of December 31, 2020 and 2019 are NT$152,928 thousand and NT$155,931 thousand, respectively. Please refer to Note 6 (14) for more details on loss allowance of accounts receivable for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(3) Inventories, net

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Work in progress | $12 | $15 |
| Finished goods | 633 | 1,670 |
| Total | $645 | $1,685 |

The cost of inventories recognized in expenses amounted to NT$2,690 thousand and NT$3,930 thousand for the year ended December 31, 2020 and 2019, respectively, including the write-down of inventories of NT$957 thousand and NT$394 thousand, respectively.

No inventories were pledged.

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

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Equity instrument investments measured at fair value through other comprehensive income, noncurrent: | | |
| Listed company stocks | | |
| NEWRETAIL CO., LTD. | $13,132 | $14,718 |
| Uniplus Electronics CO., LTD.(NOTE) | 12 | - |
| Emerging market stocks | | |
| SNSPLUS, INC. | 3,802 | 5,351 |
| Private company stocks | | |
| AUER MEDIA & ENTERTAINMENT CORP. | 40,600 | 27,822 |
| TAIWAN SMART CARD CO. | 3,598 | 3,848 |
| DOUBLE EDGE ENTERTAINMENT CORP. | 2,171 | 4,253 |
| FUNFIA INC. | - | - |
| Total | $63,315 | $55,992 |

Note: The Group acquired 2 thousand shares of Uniplus Electronics CO., LTD. amounted to NT$12 thousand in December 2020.

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

(5) Investments accounted for using the equity method

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

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| Investees | Carrying amount | Percentage of ownership (%) | Carrying amount | Percentage of ownership (%) |
| Investments in associates: | | | | |
| Chia-e International Inc. | $- | 28.21% | $- | 28.21% |
| A.R.T. Games Co., Ltd. | 1,143 | 49% | 2,906 | 49% |
| SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. | 540,865 | 49% | 625,708 | 49% |
| | $542,008 | | $628,614 | |

Note: On April 25, 2018, the Company's board of directors approved the capital injection plan of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING) SOFTSTAR BEIJING, a subsidiary of the Group, was seeking to increase its capital in order to introduce long-term partners. All of the shares were subscribed by CMGE TECHNOLOGY GROUP LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Group. The total amount of capital injection was RMB$213,000 thousand. After the capital injection, CMGE holds 51% of total shares in SOFTSTAR BEIJING. The Company holds 49% of total shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC. On June 3, 2019, the Company has lost control of SOFTSTAR BEIJING, derecognizing SOFTSTAR BEIJING and its wholly owned subsidiary SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD. in the consolidated report; instead, the investment is measured at fair value and recognized under investment accounted for using the equity method. Please refer to Note 6 (21) for the further explanation.

Information on the material associate of the Group:

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

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

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

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

The summarized financial information of the associate is as follows:

| | As of December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Current assets | $851,552 | $1,018,977 |
| Non-current assets | 225,425 | 354,615 |
| Current liabilities | (306,227) | (465,919) |
| Non-current liabilities | - | - |
| Equity | 770,750 | 907,673 |
| Property of the Group's ownership | 49% | 49% |
| Subtotal | 377,667 | 444,760 |
| Intangible assets | 142,936 | 159,918 |
| Goodwill | 20,262 | 21,030 |
| Carrying amount of the investment | $540,865 | $625,708 |

| | 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 |

The Group assesses the recoverable amounts of its investment in Chia-e International Inc., and recognized an impairment loss of NT$9,426 thousand in 2019.

The Group's investments in Chia-e International Inc. and A.R.T. Games Co., Ltd. are not individually material. The aggregate carrying amount of the Group's interests in Chia-e International Inc. and A.R.T. Games Co., Ltd. are NT$1,143 thousand and NT$2,906 thousand, as of December 31, 2020 and 2019, respectively. The aggregate financial information of the Group's investments in Chia-e International Inc. and A.R.T. Games Co., Ltd. are as follows:

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Profit or loss from continuing operations | $(8,195) | $(10,912) |
| Other comprehensive income (net of tax) | - | - |
| Total comprehensive loss | $(8,195) | $(10,912) |

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

| | Investment gain/(loss) | |
|---|---|---|
| | For the years ended December 31 | |
| | 2020 | 2019 |
| Chia-e International Inc. | $- | $(1,303) |
| A.R.T. Games Co., Ltd. | (1,763) | (2,937) |
| SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (Note) | (69,498) | (62,733) |
| Total | $(71,261) | $(66,973) |

Note: Investment loss included a NT$16,982 thousand amortization between the book value and fair value of its intangible assets.

The aforementioned associates had no contingent liabilities or capital commitments as at December 31, 2020 and 2019. No investments accounted for using the equity method were pledged.

(6) Property, plant and equipment

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Owner occupied property, plant and equipment | $8,147 | $12,070 |

| | Machinery and equipment | Office equipment | Leasehold improvements | Total |
|---|---|---|---|---|
| Cost: | | | | |
| 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 |
| | | | | |
| As of January 1, 2019 | $18,237 | $17,234 | $21,428 | $56,899 |
| Additions | 1,660 | 821 | 408 | 2,889 |
| Disposals | (882) | (1,132) | - | (2,014) |
| Transfers | (206) | 206 | - | - |
| Exchange differences | 161 | 24 | 81 | 266 |
| Disposal of subsidiaries | (9,034) | (1,272) | (4,135) | (14,441) |
| As of December 31, 2019 | $9,936 | $15,881 | $17,782 | $43,599 |
| | | | | |
| Depreciation and impairment: | | | | |
| As of January 1, 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 |
| | | | | |
| As of January 1, 2019 | $9,639 | $12,048 | $11,789 | $33,476 |
| Depreciation | 2,331 | 2,350 | 3,800 | 8,481 |
| Disposals | (809) | (1,096) | - | (1,905) |
| Transfers | (490) | 490 | - | - |
| Exchange differences | 71 | 14 | 70 | 155 |
| Disposal of subsidiaries | (4,299) | (822) | (3,557) | (8,678) |
| As of December 31, 2019 | $6,443 | $12,984 | $12,102 | $31,529 |
| | | | | |
| Net carrying amounts as of: | | | | |
| December 31, 2020 | $2,327 | $2,493 | $3,327 | $8,147 |
| December 31, 2019 | $3,493 | $2,897 | $5,680 | $12,070 |

Property, plant and equipment were not pledged.

(7) Intangible assets

| | Trademarks | Computer software | Game Royalty | Goodwill | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| As of January 1, 2020 | $6,870 | $31,946 | $- | $2,712 | $41,528 |
| Addition-acquired separately | - | 3,385 | 9,063 | - | 12,448 |
| Deduction-sold | - | (4,448) | - | - | (4,448) |
| Deduction-derecognized | (6,870) | - | - | - | (6,870) |
| As of December 31, 2020 | $- | $30,883 | $9,063 | $2,712 | $42,658 |
| | | | | | |
| As of January 1, 2019 | $6,870 | $42,815 | $18,473 | $2,712 | $70,870 |
| Addition-acquired separately | - | 7,925 | - | - | 7,925 |
| Deduction-sold | - | (11,128) | (4,243) | - | (15,371) |
| Exchange differences | - | 214 | - | - | 214 |
| Disposal of subsidiaries | - | (7,880) | (14,230) | - | (22,110) |
| As of December 31, 2019 | $6,870 | $31,946 | $- | $2,712 | $41,528 |
| | | | | | |
| Amortization and impairment: | | | | | |
| 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 | $- | $28,366 | $9,063 | $- | $37,429 |
| | | | | | |
| As of January 1, 2019 | $6,870 | $32,941 | $18,473 | $- | $58,284 |
| Amortization | - | 9,076 | - | - | 9,076 |
| Deduction-derecognized | - | (11,128) | (4,243) | - | (15,371) |
| Exchange differences | - | 141 | - | - | 141 |
| Disposal of subsidiaries | - | (4,784) | (14,230) | - | (19,014) |
| As of December 31, 2019 | $6,870 | $26,246 | $- | $- | $33,116 |
| | | | | | |
| Net carrying amount as of: | | | | | |
| December 31, 2020 | $- | $2,517 | $- | $2,712 | $5,229 |
| December 31, 2019 | $- | $5,700 | $- | $2,712 | $8,412 |

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

| | For the years ended December 31 | |
|---|---|---|
| | 2020 | 2019 |
| Operating costs | $9,063 | $- |
| Administrative expense | $917 | $1,597 |
| Research and development expense | $5,595 | $7,489 |

(8) Other payables

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Salary payable | $23,316 | $41,904 |
| Professional service fees payable | 3,593 | 3,662 |
| Insurance payable | 2,198 | 2,455 |
| Advertising payable | 445 | 345 |
| Other accrued expenses | 15,977 | 22,882 |
| Total | $45,529 | $71,248 |

(9) Long-term borrowings

Details of long-term loans are as follows:

| 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 | $65,399 | | |

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

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

(10) 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, 2020 and 2019 are NT$6,528 thousand and NT$17,500 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the regulations for revenues, expenditures, safeguard and utilization of the labor retirement fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$297 thousand to its defined benefit plan during the 12 months after December 31, 2020.

The average-weighted duration of the defined benefits plan obligation as at December 31, 2020 and 2019, are 11 years and 12 years.

Pension costs recognized in profit or loss for the years ended December 31, 2020 and 2019:

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Current period service costs | $342 | $376 |
| Interest income or expense | 147 | 212 |
| Total | $489 | $588 |

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, 2020 | December 31, 2019 | January 1, 2019 |
| Present value of the pension obligation under defined benefit pension plans | $32,946 | $37,189 | $38,906 |
| Fair value of plan assets | (12,049) | (16,203) | (17,678) |
| Net defined benefit liabilities, noncurrent | $20,897 | $20,986 | $21,228 |

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, 2019 | $38,906 | $(17,678) | $21,228 |
| Current period service costs | 376 | - | 376 |
| Net interest expense (income) | 389 | (177) | 212 |
| Subtotal | 765 | (177) | 588 |
| Remeasurements of the net defined benefit liability (asset): | | | |
| Actuarial gains and losses arising from changes in financial assumptions | 1,289 | - | 1,289 |
| Experience adjustments | (951) | (666) | (1,617) |
| Subtotal | 338 | (666) | (328) |
| Payments from the plan | (2,820) | 2,820 | - |
| Contributions by employer | - | (502) | (502) |
| As of December 31, 2019 | 37,189 | (16,203) | 20,986 |
| 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 |

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

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Discount rate | 0.40% | 0.70% |
| Expected rate of salary increases | 2.00% | 2.00% |

A sensitivity analysis for significant assumption as of December 31, 2020 and 2019 is, as shown below:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | 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% | $- | $(917) | $- | $(1,078) |
| Discount rate decrease by 0.25% | 950 | - | 1,118 | - |
| Future salary increase by 0.25% | 850 | - | 1,007 | - |
| Future salary decrease by 0.25% | - | (826) | - | (978) |

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

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

(11) Equities

(A) Common stock

The Company's authorized capital were NT$1,300,000 thousand and NT$1,000,000 thousand, and issued capital were NT$630,643 thousand and NT$492,945 thousand as of December 31, 2020 and 2019, respectively, each at a par value of NT$10. Each share has one voting right and a right to receive dividends.

On April 30, 2015, the shareholders' meeting of the Company approved the issuance no more than 10,000 thousand shares of common stock through private placement issuance. The subscription price of the private placement common stock was NT$84.61 per share, totaling 2,000 thousand shares. The private placement date was March 25, 2016. The capital increase by cash is for the purpose of enriching working capital and repaying bank loans. The Company received NT$169,220 thousand through private placement issuance and has completed registration for change. Apart from the fact that private placement common stock is subject to the Securities and Exchange Act's restrictions of transfer and must reapply for public offering after three years for public transaction, the remaining rights and obligations are the same as other issued common stock.

On November 1, 2018, the provisional shareholders' meeting of the Company approved the issuance of an additional 1,500 thousand shares of restricted employee stock and the grant price is NT$0. The rights and obligations of the issuance of ordinary shares are the same as those of other issued ordinary shares, except for the transfer rights in which employees must first reach the vested conditions. The new share issuance has been declared effective by the Financial Supervisory Commission on November 21, 2018, and was issued on January 5, 2019 as the based date for capital increase. The registration was completed.

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.

For the years ended December 31, 2020 and 2019, the Company redeemed and cancelled 6 thousand shares and 0 thousand shares of issued restricted stocks for employees, respectively.

On June 10, 2019, the shareholders' meeting of the Company approved the issuance of common stock through private placement issuance. The total number of shares issued by private placement issuance is no more than 10 million shares, and the per value of each share is NT$10. It is expected to be issued three times within one year from the Annual Meeting of Shareholders date of resolution. On March 5, 2020, the shareholders' meeting of the Company approved suspending the issuance and reported in the shareholders' meeting of the Company on June 9, 2020.

On June 9, 2020, the shareholders' meeting of the Company approved the issuance of common stock through private placement issuance. The total number of shares issued by private placement issuance is no more than 10 million shares, and the per value of each share is NT$10. It is expected to be issued three times within one year from the Annual Meeting of Shareholders date of resolution.

On June 9, 2020, the shareholders' meeting of the Company approved the issuance of common stock from unappropriated earnings in the amount of NT$88,719 thousand, and the per value of each share is 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 is 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.

(B) Capital surplus

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Additional Paid-in Capital | $69,895 | $77,492 |
| Restricted employee stock | 42,465 | 85,500 |
| Total | $112,360 | $162,992 |

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. 1 hundred new shares to be distributed for every 1 thousand 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 is 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, 2020, the Company have bought back 25 thousand shares in the amount of NT$1,023 thousand.

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

(D) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Payment of all taxes and dues;
(b) Offset prior years' operation losses;
(c) Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
(d) Set aside or reverse special reserve in accordance with law and regulations; and
(e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

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

According to the Company Act, the Company is required to set aside an amount from its earnings to legal reserve unless such legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

In accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865 and "Applicable question and answer for the provision of special reserves after the adoption of International Financial Reporting Standards (IFRSs)", the Group sets aside and reverses special reserves.

Details of the 2019 earnings distribution and dividends per share approved by the shareholder's meeting on June 9, 2020 is as follows:

| | Appropriation of earnings | Dividend per share (NTD) |
|---|---|---|
| | 2019 | 2019 |
| Legal reserve | $32,541 | |
| Special reserve | 152,214 | |
| Common stock cash dividend | 9,858 | $0.2 |
| Common stock stock dividend | 88,719 | 1.8 |

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

(E) Non-controlling interests

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Beginning balance | $43 | $116 |
| Loss attributable to non-controlling interests | (484) | (2,222) |
| Disposal of a subsidiary | - | (19) |
| Acquisition of new shares in a subsidiary not in proportionate to ownership interest | 655 | 2,168 |
| Ending balance | $214 | $43 |

(12) 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, 2019 of NT$15,000 thousand, totaling 1,500 thousand shares, and the share price was NT$105 per share. The share-based payment agreement is as follows:

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

Note 1: The restricted employee stock issued by the Group are not transferable during the contract period, but they do not restrict voting rights and included in the distribution of dividends. Employees who leave during the vested period are required to return the shares, but the dividends obtained is not required to return.

Note 2: A portion of the restricted employee stock will be vested at the end of each year if the employee's performance reaches the target set by the company. The maximum share vested will be 40%, 30% and 30% in each of the three years.

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

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | Numbers (thousand) | Numbers (thousand) |
| As of January 1 | 900 | - |
| Issued | - | 1,500 |
| Cancelled | (6) | - |
| Less：vested | (447) | (600) |
| As of December 31 | 447 | 900 |

(B) The expenses recognized for employee services received for the years ended December 31, 2020 and 2019, are shown in the following table:

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Total expense arising from equity-settled share-based payment transactions | $31,642 | $118,688 |

(13) Operating revenue

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Revenue from contracts with customers | | |
| Sale of goods | $2,408 | $5,289 |
| Rendering of service | 537,991 | 559,183 |
| Other operating revenue | 5,089 | 3,999 |
| Less: sales returns and allowances | (119) | (2,653) |
| Total | $545,369 | $565,818 |

Analysis of revenue from contracts with customers during the year ended December 31, 2020 is as follows:

(A) Disaggregation of revenue

For the year ended December 31, 2020

| | Operating Department | Research and Development Department | Total |
|---|---|---|---|
| Sale of goods | $2,289 | $- | $2,289 |
| Rendering of services | 174,720 | 368,360 | 543,080 |
| Total | $177,009 | $368,360 | $545,369 |
| | | | |
| Timing of revenue recognition: | | | |
| At a point in time | $13,246 | $141,600 | $154,846 |
| Over time | 163,763 | 226,760 | 390,523 |
| Total | $177,009 | $368,360 | $545,369 |

For the year ended December 31, 2019

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

(B) Contract balances

Net contract assets (liabilities) are as follows:

| | Ending balance | Beginning balance | Difference | % |
|---|---|---|---|---|
| Contract assets, current | $53,217 | $72,418 | $(19,201) | (27)% |
| Contract assets, noncurrent | 25,842 | 3,999 | 21,843 | 546% |
| Contract liabilities, current | (27,010) | (47,690) | 20,680 | (43)% |
| Net contract assets (liabilities) | $52,049 | $28,727 | $23,322 | |

Contract assets increased by NT$2,642 thousand from December 31, 2019 to December 31, 2020, mainly due to NT$16,176 thousand contract assets from film and television licensing in 2019 is reclassified to accounts receivable due to the Company has unconditional right to receive the consideration. In addition, NT$22,661 thousand contract assets from film and television licensing in 2020 are reclassified to contract assets, non-current due to the contract terms.

Contract liabilities decreased by NT$20,680 thousand from December 31, 2019 to December 31, 2020, mainly due to the advance payment of mobile games licensing contract received in 2019, which is recognized as revenue NT$18,771 thousand when the mobile games launched in 2020.

(C) Transaction price allocated to unsatisfied performance obligations

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.

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

(14) Expected credit losses/ (gains)

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Operating expenses – Expected credit losses/(gains) | | |
| Contract assets | $- | $12,228 |
| Accounts receivable | (42,205) | 48,776 |
| Total | $(42,205) | $61,004 |

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

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

(A) the gross carrying amount of contract assets are NT$79,059 thousand and NT$76,417 thousand as at December 31, 2020 and 2019, respectively. The loss allowance amounts to NT$0 where an expected credit loss ratio of 0% is used.

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

As of December 31, 2020

Group 1

| | Not yet due | Overdue | | | | |
|---|---|---|---|---|---|---|
| | (Note) | <=30 days | 31-120 days | 121-365 days | >=365 days | Total |
| 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 |

Group 2

| | Not yet due | Overdue | | | | |
|---|---|---|---|---|---|---|
| | (Note) | <=30 days | 31-120 days | 121-365 days | >=365 days | Total |
| 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 |

As of December 31, 2019

Group 1

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

Group 2

| | Not yet due (Note) | Overdue <=30 days | Overdue 31-120 days | Overdue 121-365 days | Overdue >=365 days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | $38,407 | $- | $3,275 | $19,975 | $36,166 | $97,823 |
| Loss ratio | -% | -% | 23.05% | 31.16% | 100% | |
| Lifetime expected credit losses | - | - | (755) | (6,224) | (36,166) | (43,145) |
| Subtotal | $38,407 | $- | $2,520 | $13,751 | $- | $54,678 |
| Total | | | | | | $111,018 |

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, 2020 and 2019, the Group recognized NT$0 thousand and NT$0 thousand allowance loss, respectively.

The movement in the provision for impairment of contract assets and accounts receivable during the December 31, 2020 and 2019 are as follows:

| | Contract Assets | Accounts Receivable |
|---|---|---|
| As of January 1, 2020 | $- | $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 |
| Beginning balance | $- | $1,089 |
| Addition/(reversal) for the current period | 12,228 | 48,776 |
| Write off due to inability to receive | (12,228) | (5,755) |
| As of December 31, 2019 | $- | $44,110 |

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

(15) 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.

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

(A) Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Buildings | $29,147 | $37,891 |

During the years ended 31 December 2020 and 2019, the Group's additions to right-of-use assets amounting to NT$27,923 thousand and NT$830 thousand, also with decrease of NT$18,469 thousand and NT$9,936 thousand, respectively.

(b) Lease liabilities

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Lease liabilities | $29,045 | $37,889 |
| Current | $11,080 | $25,430 |
| Non-current | $17,965 | $12,459 |

Please refer to Note 6 (17)(C) for the interest on lease liabilities recognized during the years ended December 31, 2020 and 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2020 and 2019.

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

Depreciation expense of right-of-use assets

| | For the year ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Buildings | $18,198 | $28,413 |

(C) Income and costs relating to leasing activities

| | For the year ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| The expenses relating to short-term leases | $683 | $4,032 |
| The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets) | 1,349 | 327 |

(D) Cash outflow relating to leasing activities

During the years ended December 31, 2020 and 2019, the Group's total cash outflows for leases amounting to NT$20,804 thousand and NT$33,718 thousand, respectively.

(16) Summary statement of employee benefits, depreciation and amortization expense by function during the years ended December 31, 2020 and 2019:

| | For the years ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Operating costs | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Employee benefits expense | | | | | | |
| Salaries | $- | $160,374 | $160,374 | $- | $328,835 | $328,835 |
| Labor and health insurance | - | 12,789 | 12,789 | - | 19,110 | 19,110 |
| Pension | - | 7,017 | 7,017 | - | 18,089 | 18,089 |
| Other employee benefits expense | - | 8,530 | 8,530 | - | 15,764 | 15,764 |
| Depreciation | - | 23,623 | 23,623 | - | 36,894 | 36,894 |
| Amortization | 9,063 | 6,512 | 15,575 | - | 9,076 | 9,076 |

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, 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$2,928 thousand and NT$976 thousand, respectively. On March 12, 2021, the Board of Directors meeting resolved to distribute NT$2,939 thousand and NT$980 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2020, respectively.

On March 5, 2020, the Board of Directors meeting resolved to distribute NT$16,970 thousand and NT$3,394 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2019, respectively. No material differences exist between the estimated amount and the actual distribution.

(17) Non-operating income and expenses

(A) Other income

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Interest income | | |
| Financial assets measured at amortized cost | $189 | $1,114 |
| Rental income | 1,520 | - |
| Tax refund | 17,218 | - |
| Government support income | 9,060 | - |
| Other income | 3,733 | 6,758 |
| Total | $31,720 | $7,872 |

(B) Other gains and losses

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Losses on disposal of property, plant and equipment | $(128) | $(18) |
| Gains on disposal of intangible assets | 576 | - |
| Gains on disposal of investments(Note) | 1,285 | 641,077 |
| Foreign exchange losses, net | (3,062) | (8,788) |
| Impairment loss from non-financial assets | - | (9,426) |
| Other | (731) | (4,648) |
| Total | $(2,060) | $618,197 |

Note: The Company lost control of SOFTSTAR BEIJING and recognized investment gain on June 3, 2019, please refer to Note 6 (21) for details.

(C) Finance costs

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Interest on borrowings from bank | $2,287 | $4,440 |
| Interest on lease liabilities | 449 | 1,209 |
| Total | $2,736 | $5,649 |

(18) Components of other comprehensive loss

For the year ended December 31, 2020:

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive loss, before tax | Income tax relating to components of other comprehensive loss | Other comprehensive loss, net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss in subsequent periods: | | | | | |
| Remeasurements of defined benefit plans | $89 | $- | $89 | $- | $89 |
| Unrealized gains or losses from financial assets at fair value through other comprehensive income | 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) |

For the year ended December 31, 2019:

| | Arising during the period | Reclassification adjustments during the period | Other comprehensive loss, before tax | Income tax relating to components of other comprehensive loss | Other comprehensive loss, net of tax |
|---|---|---|---|---|---|
| Not to be reclassified to profit or loss in subsequent periods: | | | | | |
| Remeasurements of defined benefit plans | $328 | $- | $328 | $- | $328 |
| Unrealized gains or losses from financial assets at fair value through other comprehensive loss | (133,514) | - | (133,514) | - | (133,514) |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | 9,154 | - | 9,154 | - | 9,154 |
| Total of other comprehensive loss | $(124,032) | $- | $(124,032) | $- | $(124,032) |

(19) Income tax

The major components of income tax expense for 2020 and 2019 are as follows:

Income tax expense recognized in profit or loss

| | For the years ended December 31, 2020 | For the years ended December 31, 2019 |
|---|---|---|
| Current income tax expense: | | |
| Current income tax charge | $22,769 | $41,165 |
| 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 | 14,586 | (29,115) |
| Total income tax expense | $37,355 | $12,050 |

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

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Accounting profit before tax from continuing operations | $93,767 | $335,867 |
| Tax at the domestic rates applicable to profits in the country concerned | $18,753 | $67,173 |
| Tax effect of revenues exempt from taxation | (7,099) | 5,531 |
| Tax effect of non-deductible expenses from taxation | 12,906 | 582 |
| Tax effect of deferred tax assets/liabilities | (9,974) | (84,831) |
| Overseas withholding tax | 22,769 | 23,595 |
| Total income tax expense recognized in profit or loss | $37,355 | $12,050 |

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

| | Beginning balance as of January 1, 2020 | Recognized in profit or loss | Ending balance as of December 31, 2020 |
|---|---|---|---|
| Temporary differences | | | |
| Unrealized bad debt expense | $8,427 | $(8,427) | $- |
| Unrealized foreign exchange losses | 1,230 | (696) | 534 |
| Unrealized foreign exchange gains | (707) | 667 | (40) |
| Fiscal and tax differences in amortization of intangible assets | - | 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) | | $(14,586) | |
| Net deferred tax assets/(liabilities) | $32,592 | | $18,006 |
| Reflected in balance sheet as follows: | | | |
| Deferred tax assets | $33,969 | | $18,046 |
| Deferred tax liabilities | $1,377 | | $40 |

For the year ended December 31, 2019

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

The information of the unused tax losses is as follows:

| | | Unused tax losses | | |
|---|---|---|---|---|
| | | As of December 31, | | |
| Year | Tax losses for the period | 2020 | 2019 | Expiration year |
| 2014 | $15,029 | $- | $1,544 | 2024 |
| 2019 | 207,900 | 124,727 | 207,203 | 2029 |
| | | $124,727 | $208,747 | |

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

| | | Unused tax losses | | |
|---|---|---|---|---|
| | | As of December 31, | | |
| Year | Tax losses for the period | 2020 | 2019 | Expiration year |
| 2014 | $13,395 | Note | $13,395 | 2024 |
| 2015 | 1,183 | $1,106 | 20,089 | 2025 |
| 2016 | 113,084 | 60,497 | 80,936 | 2026 |
| 2017 | 27,848 | 27,848 | 50,061 | 2027 |
| 2018 | 74,143 | 74,143 | 78,239 | 2028 |
| 2019 | 26,998 | 26,998 | 26,998 | 2029 |
| 2020 | 1,835 | 1,835 | - | 2030 |
| | | $192,427 | $270,118 | |

Note: Subsidiaries of the Group were dissolved in 2020, so their unused tax losses were also eliminated.

Unrecognized deferred tax assets

As of December 31, 2020 and 2019, deferred tax assets have not been recognized in respect of unused tax losses and deductible temporary differences amounting to NT$128,915 thousand and NT$198,262 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As at December 31, 2020, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

| | The assessment of income tax returns |
|---|---|
| The Company | Assessed and approved up to 2018 |
| SUBSIDIARY - LOFTSTAR INTERACTIVE ENTERTAINMENT INC. | Assessed and approved up to 2018 |
| SUBSIDIARY- SOFTSTAR AGENCY CO., LTD. | Assessed and approved up to 2018 |
| SUBSIDIARY- KOBE CO., LTD. | Assessed and approved up to 2018 |
| SUBSIDIARY- GAMEBASE DIGITAL MEDIA CORPORATION | Assessed and approved up to 2018 |
| SUBSIDIARY- SOFTSTAR CREATIVE INC. | Assessed and approved up to 2018 |

(20) Earnings per share

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

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

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| (A) Basic earnings per share | | |
| Net income attributable to ordinary equity holders of the Company (in thousand NT$) | $56,896 | $326,039 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 62,465 | 61,990 |
| Basic earnings per share (NT$) | $0.91 | $5.26 |

| | For the years ended December 31, 2020 | 2019 |
|---|---|---|
| (B) Diluted earnings per share | | |
| Net income attributable to ordinary equity holders of the Company after dilution (in thousand NT$) | $56,896 | $326,039 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 62,465 | 61,990 |
| Effect of dilution: | | |
| Restricted employee stock | 535 | 647 |
| Employee compensation-stock (in thousands) | 161 | 186 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 63,161 | 62,823 |
| Diluted earnings per share (NT$) | $0.90 | $5.19 |

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.

(21) Changes in ownership interests in subsidiaries

Loss control of a subsidiary

On April 25, 2018, the Company's board of directors approved the capital injection plan of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (hereinafter referred to as SOFTSTAR BEIJING) SOFTSTAR BEIJING, a subsidiary of the Group, was seeking to increase its capital in order to introduce long-term partners. All of the shares were subscribed by CMGE TECHNOLOGY GROUP LIMITED (hereinafter referred to as CMGE), an overseas affiliate of China Mobile Group. The total amount of capital injection was RMB$213,000 thousand. After the capital injection, CMGE holds 51% of total shares in SOFTSTAR BEIJING. The Company holds 49% of total shares in SOFTSTAR BEIJING through its subsidiary, SOFTSTAR INTERNATIONAL INC. On June 3, 2019 the Company has lost control of SOFTSTAR BEIJING, derecognizing SOFTSTAR BEIJING and its wholly owned subsidiary SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD. in the consolidated report; instead, the investment is measured at fair value and recognized under investment accounted for using the equity method. The carrying amount of assets and liabilities of SOFTSTAR BEIJING as of June 3, 2019 are as follows:

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

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

7. Related party transactions

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

Name and nature of relationship of the related parties

| Name of the related parties | Nature of relationship of the related parties |
|---|---|
| NEWRETAIL CO., LTD. | The chairman of the Company and the key management personnel of this company are second-degree relatives |
| TOKYO FASHION CO., LTD. (Note 4) | The chairman of the Company and the director of this company are second-degree relatives |
| NEWLOGISTICS CO., LTD. | The chairman of the Company and the director of this company are second-degree relatives |
| E-NET CO., LTD. (Note 1) | The chairman of the Company and the director of this company are second-degree relatives |
| GLOBAL ANGEL INVESTMENTS LIMITED | The chairman of the Company is the chairman of this company |
| The Playground Limited, Taiwan Branch (Note 2) | The key management personnel of the Company is the chairman of this company |
| FUNFIA INC. | The key management personnel of the subsidiary of the Company is the chairman of this company |
| Bakesi Wine Group Co., Ltd. | The chairman of the Company is the chairman of this company |
| DOUBLE EDGE ENTERTAINMENT CORP. | The Company is the director of this company |
| A.R.T. Games Co., Ltd. | Associate |
| SOFTSAT TECHNOLOGY (SHANGHAI) CO., LTD. (Note 3) | Associate |
| SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. (Note 3) | Associate |

Note 1: NEWCROSS CO., LTD. changed its name to E-NET CO., LTD. in August 2019. Due to change of the chairman of the board on September 18, 2020, E-NET CO., LTD. was no longer a related party of the Group since September 18, 2020.

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

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

Note 4: Due to change of the chairman of the board on September 18, 2020, TOKYO FASHION CO., LTD. was no longer a related party of the Group since September 18,2020.

Significant transactions with the related parties

(1) Sales

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Rendering of services | | |
| Other related parties | $105 | $875 |

The sales price to the above related parties was determined through mutual agreement. The collection period from sales to the related party customers are 30~60 days, which is the same with third party customers.

(2) Operating expenses

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | | |
| FUNFIA INC. | $- | $3,927 |
| DOUBLE EDGE ENTERTATIONENT CORP. | - | 1,782 |
| NEWLOGISTICS CO., LTD. | 745 | - |
| GLOBAL ANGEL INVESTMENTS LIMITED | 952 | - |
| Others | 301 | 633 |
| Total | $1,998 | $6,342 |

(3) Other notes receivable-related parties

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | | |
| TOKYO FASHION CO., LTD. | $- | $387 |
| E-NET CO., LTD. | - | 2,736 |
| Total | $- | $3,123 |

(4) Accounts receivable-related parties

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | $- | $11 |

(5) Other receivables-related parties

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | | |
| TOKYO FASHION CO., LTD. | $- | $381 |
| E-NET CO., LTD. | - | 683 |
| NEW RETAIL CO., LTD. | - | 239 |
| Others | 5 | 38 |
| Total | $5 | $1,341 |

(6) Prepayment-related parties

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Associate | | |
| A.R.T Games Co., Ltd. | $- | $1,905 |
| Other related parties | | |
| NEWLOGISTICS CO., LTD. | 700 | - |
| GLOBAL ANGEL INVESTMENTS LIMITED | 330 | - |
| Total | $1,030 | $1,905 |

Prepayment-related parties relates to prepaid rent.

(7) Accounts payable-related parties

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Associates | | |
| SOTSTAR TECHNOLOGY (SHANGHAI) CO., LTD. | $- | $5,388 |
| SDFTSTAR TECHNOLOGY (BEIJING) CO., LTD. | - | 31,032 |
| Other related parties | - | 17 |
| Total | $- | $36,437 |

(8) Other payables-related parties

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | | |
| NEWLOGISTICS CO., LTD. | $- | $67 |

(9) Lease-related parties

(A) Right-of-use assets

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | $21,021 | $461 |

(B) Lease liabilities

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | $21,348 | $466 |

(C) Interest expenses

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Other related parties | $40 | $14 |

(10) Key management personnel compensation

| | For the years ended December 31, 2020 | For the years ended December 31, 2019 |
|---|---|---|
| Short-term employee benefits | $19,666 | $36,046 |
| Post-employment benefits | 350 | 604 |
| Termination benefits | - | 364 |
| Other long-term benefits | 474 | 775 |
| Share-based payment | 9,725 | 43,994 |
| Total | $30,215 | $81,783 |

8. Assets pledged as security

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

| Items | Carrying amount December 31, 2020 | Carrying amount December 31, 2019 | Secured liabilities |
|---|---|---|---|
| Other financial assets current-demand deposits | $14,031 | 21 | Current portion of long-term borrowings |
| Other financial assets, noncurrent-demand deposits | 27,000 | 30,000 | Long - term borrowings |
| Total | $41,031 | $30,021 | |

9. Commitments and contingencies

None.

10. Loss due to major disasters

None.

11. Significant subsequent events

On January 29, 2021, the Board of Directors meeting resolved to acquire the private placement stock of Uniplus Electronics CO., LTD. The Company acquired 28,322 thousand shares in the amount of NT$160,000 thousand and in the price of NT$5.65 per share, which increased the Company's ownership of Uniplus Electronics CO., LTD. to 15.72%.

12. Others

(1) Categories of financial instruments

| Financial assets | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Financial assets at fair value through other comprehensive income | $63,315 | $55,992 |
| Financial assets measured at amortized cost (Note 1) | 439,118 | 326,286 |
| Total | 502,433 | $382,278 |

| Financial liabilities | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Financial liabilities at amortized cost: | | |
| Accounts payable | $119,674 | $199,141 |
| Long-term borrowings (including current portion) | 131,318 | 107,742 |
| Lease liabilities | 29,045 | 37,889 |
| Total | $280,037 | $344,772 |

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 activates. The Group identifies measures and manages the aforementioned risks based on the Group’s policy and risk appetite.

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

(A) When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended December 31, 2020 and 2019 is decreased/increased by NT$410 thousand and NT$196 thousand, respectively.

(B) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2020 and 2019 is decreased/ increased by NT$2,213 thousand and NT$1,921 thousand, respectively.

Interest rate risk

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2020 and 2019 to decrease/increase by NT$131 thousand and NT$108 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 2019). 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 2020 and 2019, 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$1,694 thousand and NT$2,007 thousand on the equity attributable to the Group for the years ended December 31, 2020 and 2019, 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, 2020, and December 31, 2019, accounts receivable and contract assets from top ten customers represent 49.32% and 42.69% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivable is relatively insignificant.

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

| | Less than 1 year | 2 to 3 years | 4 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| As of December 31, 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 |
| | | | | | |
| As of December 31, 2019 | | | | | |
| Accounts payable (including other payables) | $199,141 | $- | $- | $- | $199,141 |
| Long-term borrowings (including estimated interest) | 51,485 | 58,687 | - | - | 110,172 |
| Lease liabilities (Note) | 28,673 | 12,588 | - | - | 41,261 |

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 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 |

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

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

(7) Fair values of financial instruments

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

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

(a) The carrying amount of cash and cash equivalents, accounts receivables, refundable deposits, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method or income approach valuation techniques. The market method valuation is based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities). The income method is based on the estimated recoverable amount of the present value of similar financial assets that are expected to be received from cash dividends or disposals of investments.

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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

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

(C) Fair value measurement hierarchy for financial instruments

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

(8) Fair value measurement hierarchy

(A) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | $3,814 | $13,132 | $46,369 | $63,315 |

As of December 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity instrument measured at fair value through other comprehensive income | $5,351 | $14,718 | $35,923 | $55,992 |

Transfers between Level 1 and Level 2 during the period

During the years ending December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

| | Assets |
|---|---|
| | Measured at fair value through other comprehensive income |
| | Stocks |
| Beginning balances as of January 1, 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 | $46,369 |

| | Assets |
|---|---|
| | Measured at fair value through other comprehensive income |
| | Stocks |
| Beginning balances as of January 1, 2019 | $147,520 |
| Total gains and losses recognized for the year ended December 31, 2019 | |
| Amount recognized in OCI (presented in "Unrealized gains (losses) from financial asset at fair value through other comprehensive income) | (111,597) |
| Ending balances as of December 31, 2019 | $35,923 |

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, 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 |

As of December 31, 2019

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks | Income approach | Discount for lack of marketability | 16% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$3,592 thousand |

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, 2020 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $1,662 | 28.48 | $47,328 |
| RMB | 50,525 | 4.38 | 221,300 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | 222 | 28.48 | 6,327 |

| | December 31, 2019 | | |
|---|---|---|---|
| | Foreign currencies | Foreign exchange rate | NTD |
| Financial assets | | | |
| Monetary items: | | | |
| USD | $1,854 | 29.99 | $55,597 |
| RMB | 53,781 | 4.31 | 231,800 |
| Financial liabilities | | | |
| Monetary items: | | | |
| USD | 1,202 | 29.98 | 36,037 |
| RMB | 9,200 | 4.31 | 39,652 |

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, 2020 and 2019, foreign exchange losses were NT$3,062 thousand and NT$8,788 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: None
(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: None.
(E) Acquisition of individual real estate with amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(F) Disposal of individual real estate with amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(G) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million and 20 percent of the capital stock: None.
(H) Receivables from related parties with amounts exceeding the lower of NT$100 million and 20 percent of capital stock: None.
(I) Financial instruments and derivative transactions: None.
(J) Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions: Please refer to Attachment 2.

(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 4.
(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 5.

14. Segment information

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

(1) Taiwan: this segment is mainly responsible for researching, licensing, and sales of products.
(2) Mainland China: this segment is mainly responsible for researching, licensing, and sales of products in Mainland China.

The main operating segments of the Group in Mainland China are SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. and SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD., and the group has lost direct or indirect control of the two companies on June 3, 2019. Please refer to Note 6 (21) for details on the loss of control of the subsidiary. Therefore, from the date of losing the control of SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD., the Group's operating segments only include operating department and research and development and licensing segment in Taiwan.

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

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

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

(Expressed in thousands)

| | For the year ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Taiwan | | China | | |
| Revenue | Operating Department | Research and development and licensing segment | Research and development and licensing segment | Adjustment and elimination | Total |
| 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 |

(Expressed in thousands)

| | For the year ended December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Taiwan | | China | | |
| Revenue | Operating Department | Research and development and licensing segment | Research and development and licensing segment | Adjustment and elimination | Total |
| External customer | $172,180 | $323,590 | $70,048 | $- | $565,818 |
| Inter-segment | 12,186 | 54,209 | 83,652 | (150,047) | - |
| Total revenue | $184,366 | $377,799 | $153,700 | $(150,047) | $565,818 |
| Segment (loss) profit | $32,054 | $(306,150) | $56,516 | $- | $(217,580) |

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, 2020 and 2019:

Operating segment assets

| | Taiwan | | | | |
|---|---|---|---|---|---|
| | Operating Department | Research and development and licensing segment | Reportable operating segments | Adjustment and elimination | Consolidated |
| December 31, 2020 | $97,211 | $1,761,479 | $1,858,690 | $(641,593) | $1,217,097 |
| December 31, 2019 | $77,015 | $1,866,976 | $1,943,991 | $(705,050) | $1,238,941 |

Operating segment liabilities

| | Taiwan | | | | |
|---|---|---|---|---|---|
| | Operating Department | Research and development and licensing segment | Reportable operating segments | Adjustment and elimination | Consolidated |
| December 31, 2020 | $88,275 | $304,991 | $393,266 | $(49,057) | $344,209 |
| December 31, 2019 | $73,694 | $418,537 | $492,231 | $(58,230) | $434,001 |

Other reconciliations of reportable segments

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Total profit or loss for reportable segments | $138,104 | $(217,580) |
| Other profit or loss | (44,337) | 553,447 |
| Profit before tax from continuing operations | $93,767 | $335,867 |

(3) Geographical information

Revenue from external customers:

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Taiwan | $67,343 | $83,673 |
| Mainland China | 261,750 | 333,892 |
| Other | 216,276 | 148,253 |
| Total | $545,369 | $565,818 |

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

Non-current assets:

| | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Taiwan | $187,716 | $194,534 |
| Mainland China | 540,865 | 625,708 |
| Total | $728,581 | $820,242 |

(4) Information about major customers

| | For the years ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Customer A | $90,656 | $76,592 |
| Customer B | 58,202 | 73,245 |
| Customer C | 56,708 | 55,197 |
| Customer D | 52,050 | 44,054 |
| Customer E | 48,121 | 43,969 |

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

ATTACHMENT 1: Securities held as of December 31, 2020

| 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, 2020 | | | | 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 | $40,600 | 19.48% | $40,600 | N |
| SOFTSTAR ENTERTAINMENT INC. | Stock | TAIWAN SMART CARD CO. | - | Financial assets at fair value through other comprehensive income, non-current | 2,552 | 3,598 | 15.95% | 3,598 | N |
| SOFTSTAR ENTERTAINMENT INC. | Stock | DOUBLE EDGE ENTERTAINMENT CORP. | - | Financial assets at fair value through other comprehensive income, non-current | 479 | 2,171 | 17.43% | 2,171 | N |
| SOFTSTAR ENTERTAINMENT INC. | Stock | FUNFIA INC. | Other related party | Financial assets at fair value through other comprehensive income, non-current | 600 | - | 11.51% | - | N |
| SOFTSTAR ENTERTAINMENT INC. | Emerging stock | SNSPLUS, INC. | - | Financial assets at fair value through other comprehensive income, non-current | 266 | 3,802 | 1.78% | 3,802 | N |
| Kobe Co., Ltd. | Listed stock | NEWRETAIL CO., LTD. | Other related party | Financial assets at fair value through other comprehensive income, non-current | 1,315 | 13,132 | 2.74% | 13,132 | N |
| SOFTSTAR ENTERTAINMENT INC. | Listed stock | Uniplus Electronics CO., LTD. | | Financial assets at fair value through other comprehensive income, non-current | 2 | 12 | 0.00% | 12 | N |
| | | | | | | $63,315 | | | |

Note 1: Securities on the list refer to securities such as stocks, bonds, beneficiary certificates and securities derived from those items included in IFRS 9 “Financial Instruments”.

Note 2: Fields do not have to be filled in if the security issuer is not a related party.

Note 3: Securities which were acquired by using fair value method, please fill in amount based on calculating after adjustment from fair value minus accumulated impairment; fill in the rest amount based on original acquired cost or after amortization minus accumulated impairment.

Note 4: Listed securities due to guarantees, pledged loans, or others who are restricted by agreement shall specify in the remarks column the number of guarantees or the number of shares borrowed, the amount of the guarantee or the amount of the loan, and restrictions on use.

Attachment 2: Significant intercompany transactions between consolidated entities

| No. (Note 1) | Company | Counterparty | Relationship (Note 2) | Business Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Term | As a percentage of consolidated revenues (Note 3) |
| 0 | SOFTSTAR ENTERTAINMENT INC. | LOFTSTAR INTERACTIVE ENTERTAINMENT INC. | 1 | Sales Revenue | $60,317 | Negotiated by both parties | 11.06% |
| 0 | SOFTSTAR ENTERTAINMENT INC. | LOFTSTAR INTERACTIVE ENTERTAINMENT INC. | 1 | Operating Cost | 17,086 | Negotiated by both parties | 3.13% |
| 0 | SOFTSTAR ENTERTAINMENT INC. | LOFTSTAR INTERACTIVE ENTERTAINMENT INC. | 1 | Accounts Receivable | 31,277 | Negotiated by both parties | 2.57% |

Note 1: Information about related party transactions should be stated. The numbers of each company are illustrated as follows:

1. 0 is for the parent company.
2. Each subsidiary is numbered from 1.

Note 2: Transactions are categorized into three types as follows: (There is no need to repeat the disclosure of the same transaction between the parent company and each subsidiary. For example, if the parent company has disclosed the transaction with the subsidiary, the subsidiary does not need to disclose it; if transactions between subsidiaries has been disclosed by one company, the other company does not need to disclose the transaction.

1. Parent company and subsidiary.
2. Subsidiary and Parent company.
3. Subsidiary and subsidiary.

Note 3: Transaction amount is stated as a percentage of total revenues. Percentages of assets or liabilities accounts are calculated as ending balance divided by consolidated assets, and percentages of profit or loss accounts are calculated as accumulated amount for the year divided by consolidated revenues.

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

ATTACHMENT 3: 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, 2020 | | | Net income (loss) of investee (Note 1) | Investment income (loss) recognized (Note 1) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Ending balance | Beginning balance | Number of shares (in thousand) | Percentage of ownership (%) | Book value | | | |
| SOFTSTAR ENTERTAINMENT INC. | SOFTSTAR INTERNATIONAL INC. | Cayman Islands | Investment holding | $163,387 | $163,387 | 5,059 | 100% | $552,388 | $(63,016) | $(63,016) | Subsidiary |
| SOFTSTAR ENTERTAINMENT INC. | LOFTSTAR INTERACTIVE ENTERTAINMENT INC. | Taiwan | Software wholesale and information software services | 95,000 | 95,000 | 2,850 | 100% | 5,453 | 2,729 | 2,729 | Subsidiary |
| SOFTSTAR ENTERTAINMENT INC. | Softstar Agency Co., Ltd. | Taiwan | Performing arts | 13,500 | 10,000 | - | 100% | 876 | (84) | (84) | Subsidiary |
| SOFTSTAR ENTERTAINMENT INC. | Marsware Entertainment Inc. | Taiwan | Network software development and technical services | - | 30,000 | - | - | - | 7,533 | 7,533 | Subsidiary(Note 3) |
| SOFTSTAR ENTERTAINMENT INC. | SOFTSTAR CREATIVE INC. | Taiwan | Network software development and technical services | 47,000 | 47,000 | 4,700 | 100% | 1,570 | (147) | (147) | Subsidiary |
| SOFTSTAR ENTERTAINMENT INC. | Kobe Co., Ltd. | Taiwan | General investment | 98,792 | 98,792 | - | 100% | 13,369 | (117) | (117) | Subsidiary |
| SOFTSTAR ENTERTAINMENT INC. | Gamebase Digital Media Corporation | Taiwan | Software publishing and information software services | 60,000 | 50,000 | 6,100 | 93.85% | 5,981 | (7,115) | (6,630) | Subsidiary |
| SOFTSTAR ENTERTAINMENT INC. | A.R.T. Games Co., Ltd. | Taiwan | Network software development and technical services | 12,250 | 12,250 | 1,225 | 49% | 1,143 | (3,598) | (1,763) | Investments accounted for using the equity method |
| SOFTSTAR ENTERTAINMENT INC. | Chia-e International Inc. | Taiwan | Investment holding | 20,000 | 20,000 | 814 | 28.21% | - | (4,597) | - | Investments accounted for using the equity method |
| SOFTSTAR INTERNATIONAL INC. | MAURITIUS WEBSTAR INC. | Mauritius | Investment holding | - | 47,302 | - | - | - | - | - | Second-tier subsidiary(Note 4) |
| SOFTSTAR INTERNATIONAL INC. | SOFTSTAR GLOBAL INC. | Mauritius | Investment holding | 162,277 | 162,277 | 5,327 | 100% | - | 8,323 | 8,323 | Second-tier subsidiary |
| SOFTSTAR INTERNATIONAL INC. | SOFTSTAR ANIMATION LIMITED | Samoa | Investment holding | 29,888 | 29,888 | 980 | 100% | 5,845 | (414) | (414) | Second-tier subsidiary |
| LOFTSTAR INTERACTIVE ENTERTAINMENT INC. | Perfecten Corporation | Taiwan | Network software development and technical services | - | 50,000 | - | - | - | - | - | Second-tier subsidiary(Note 5) |

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, 2020" 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: MARSWARE ENTERTAINMENT INC. was dissolved in November 2018 and returned the share capital on March 30, 2020.
Note 4: MAURITIUS WEBSTAR INC. (MWI) completed the liquidation procedure on May 22, 2020.
Note 5: PERFECTEN CORPORATION was dissolved in November 2018 and returned the share capital on June 8, 2020.

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

ATTACHMENT 4: 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, 2020 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2020 | Net income (loss) of investee Company | Percentage of ownership | Investment income (loss) recognized (Note 2) | Carrying value as of December 31, 2020 | Accumulated inward remittance of earnings as of December 31, 2020 | Note (Note 2(2)) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| SOFTSTAR TECHNOLOGY (BEIJING) CO., LTD. | Information processing service | $32,856 | 2 | $32,856 | $- | $- | $32,856 | $(107,174) | 49% | $(69,498) | $540,865 | $- | A |
| SOFTSTAR TECHNOLOGY (SHANGHAI) CO., LTD. | Information processing service | 134,694 | 2 | 22,294 | - | - | 22,294 | (795) | 49% | (390) | (115,105) | - | A |
| SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD. | Development of computer hardware and network technology | 31,846 | 2 | 31,846 | - | 256 | 31,590 | 7,294 | - | 7,294 | - | - | B(Note 4) |

2. Investment quota for Mainland China:

| Accumulated investment in Mainland China as of December 31, 2020 | Investment amounts authorized by Investment Commission, MOEA | Upper limit on investment in accordance with Ministry of Economic Affairs regulations (Note 5) |
|---|---|---|
| $86,740 | $285,526 | $523,733 |

Note 1: The method for engaging in investment in Mainland China include the following：
(1) Direct investment in Mainland China with capital increase through companies registered in third region.
(2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of company in third region)
(3)Other method.

Note 2: The investment income (loss) recognized in current period：
(1)It should be noted if it is in preparation which there is no investment profit or loss.
(2)The investment income (loss) were determined based on the following basis:
A.The financial statement was audited by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.
B.The financial statement was audited by the auditors of the parent company.
C.Others.

Note 3: The amount is stated in New Taiwan Dollars.

Note 4: SOFTSTAR MOBILE INFORMATION TECHNOLOGY (SHANGHAI) CO., LTD. completed the liquidation procedure on January 15, 2020.

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.

ATTACHMENT 5: Major Shareholder Information

| Share / Major Shareholder Name | Holding shares | Holding percentage(%) |
|---|---|---|
| ANGEL FUND(ASIA) INVESTMENTS LIMITED | 5,875,157 | 10.10% |
| Investment account in Yuanta Commercial Bank entrusted by Fulong Group Co., Ltd. | 3,540,274 | 6.08% |
| Investment account in Yuanta Commercial Bank entrusted by Angel Fund (ASIA) Investment Ltd. | 3,318,858 | 5.70% |
| Investment account in Yuanta Commercial Bank entrusted by Ruihe Co., Ltd. | 3,186,247 | 5.48% |