Stock Code: 6111

大宇資訊股份有限公司

SOFTSTAR ENTERTAINMENT INC.

2021 Annual Report

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

Published on April 20, 2022

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II. Headquarters

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III. Stock Transfer Agent

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Tel: 886-2-2586-5859
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IV. Auditors

Auditors: Yu, Chien-Ju, Yang, Chih-Hui
Ernst & Young, Taiwan
Address 9F (International Trade Building), No. 333, Section 1, Keelung Road, Xinyi District, Taipei City
Tel: 886-2-2757-8888
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V. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: None

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

Contents

Chapter 1. Letter to Shareholders

The Company's popular IPs "Sword and Fairy", "Xuan Yuan Sword" and "Richman" continue to develop games and video licenses in cooperation with top-tier manufacturers on both sides of the Taiwan Strait, and have been successfully launched in Mainland China, Taiwan, and overseas. In addition to "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains", "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains: Source of Sword" mobile game, "Richman 10" and "Xuan Yuan Sword 7" single-player games, which continue to contribute to the Company's revenue, the Company also recorded revenue from mobile games and video licenses of the Sword and Fairy, Xuan Yuan Sword, and Richman series in 2021, as well as revenue from the printed circuit board business of our new subsidiary, UNIPLUS ELECTRONICS CO., LTD. In the future, the Company will reinforce its IP operations including "Sword and Fairy", "Xuan Yuan Sword", and "Richman" through the development of mobile games, single player games, and online games, as well as invest in the audiovisual and cultural and creative field. Through licensing partnerships with top-tier international manufacturers, we ensure that Softstar products will not be absent in all fields and platforms. We will also release NFT and cross over to the metaverse, while maintaining high investment and high quality to gain the support of the market and players.

The Company is leading the Chinese gaming market in Mainland China, Taiwan, and Hong Kong. It has established a solid foundation in product development, marketing channels, game operations and IP licensing, and is actively entering the digital content market. Details of 2021 operating performance and 2022 operation prospects are as follows:

I. 2021 Business Results

(I) Implementation achievements of the 2021 Business Plan:
The Company's 2021 consolidated operating income was NT$559,406 thousand.

(II) Budget execution and revenue & expenditure:

Unit: Thousand NT$

Item		2021 Actual Amount
Operating Revenue		559,406
Operating Costs		(157,229)
Gross profit (loss)		402,177
Operating Expenses		(378,729)
Operating Income		23,448
Non-Operating Items		1,029,043
Pre-tax net profits		1,052,491
Income Tax Expenses		(302,863)
Net profits of the period		749,628
Net Profit (Loss) Attributable to:	Owners of the Parent Company	743,583
	Non-Controlling Interests	6,045

(III) Profitability analysis:

Item	2021
Return on total assets	35.63%
Return on total stockholder's equity	59.05%
Operating Income to Capital	3.58%
Pretax Income to Capital	160.47%
Net Income to Sales	134.00%
Earnings per Share after Tax (NT$)	11.36

(IV) Research and Development:

The Company is committed to the continual development of self-made products, including mobile games, singer player games, and online games development, including "Sword and Fairy", "Xuan Yuan Sword", and "Richman". In 2021, a total of NT$135,611 thousand in research and development expense was invested, accounting for 36% of the Company' s operating expenses.

(V) In August 2021, the Company transferred 49% equity interests of Chinese IPs Sword and Fairy and Ruanxing Technology (Beijing) Limited Company. In the future, in addition to allowing Sword and Fairy to get the maximum resources in Mainland China, the Company will be able to focus on the international market and build a Chinese game brand with global influence. Through this deal and looking forward to working with our new partner, we hope to leverage the strengths of both parties to enhance our multi-dimensional entertainment partnerships in Mainland China and create new heights of influence for our Sword and Fairy IP.

II. Overview of 2022 Business Plan

(I) Operation guidelines

⊙ Research and development of games

(1) Product R&D Program – Brand IP Promotion: The R&D team will launch the Sword and Fairy Series product “Sword and Fairy Inn 2” this year to extend the popularity of the Sword and Fairy's single-player products, while paving the way for the next major development of the Sword and Fairy IP series.

(2) Technology R&D Program – Cultivating Local Culture: In addition to continuing to operate the existing popular IP, the R&D team will continue to explore Taiwan’s local culture and launch movie tie-in games, such as “The Bridge Curse”, “The Bridge Curse: Road to Salvation”. In addition to Chinese, the games will also support English and Thai language and present the unique Taiwanese culture to the world through games.

(3) Product R&D Program – Overseas Market Expansion: this year, the R&D team will build “Sea Horizon” for overseas markets and actively expand the Company's global presence. As the usage of Spine tools become increasingly mature, the R&D team has gained extensive experience in 2D dynamic production and will apply them to subsequent game development.

⊙ IP licensing and pan-entertainment authorization cooperation

Develop new games, TV shows, movies, internet dramas, stage plays, animations, and distribute novels or comics through licensing or collaboration. The Company's IP brand will work with more cross-disciplinary companies to create more revenue and profit.

⊙ Gaming operation

Operate single player games, client games, web games, online games and mobile games in Taiwan, Hong Kong, and Macau. At present, the main products are “Cross Gate” online game, "Xuan Yuan Sword: Source of Sword" mobile game "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains" mobile game.

⊙ Release NFT (non-homogenized tokens) and cross over to the metaverse

"Richman Heroes" NFT based on "Richman" was released in March 2022, and users of this NFT will be the first to enter the metaverse. NFT of Sword and Fairy and others will be successively released in the future.

(II) Projected sales

Several mobile games, single player games, NFT products are expected to be launched in 2022, as well as increase the licensing revenue which can assist in the Company's revenue this year.

(III) Major operations & sales policies

⊙ Actively expand overseas markets, seek licensing partners to grow market share and revenue.

⊙ Maintain high-quality products for the right market image.

⊙ Continue to expand the channel and actively penetrate the network virtual channel and operation platform.

⊙ Strengthen cooperation in film and television IP licensing, digital content and cultural and creative industries.

⊙ Release NFT

III. Future development strategies of the Company

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

Company has also focused on the mobile game industry and release NFT in recent years. Multi-language, multi-theme and multi-platform operational expansion will extend Softstar's products to international markets around the world.

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

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

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

Best wishes

to all shareholders

Chairman: Tu, Chun-Kuang

President: TSAY MING-HONG

Chief Accountant: Chuang, Jen-Chuan

Chapter 2. Company Profile

I. Date of Incorporation

The Company was founded on August 3, 1998.

II. Company History

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

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

2021
- February: The PC version steam of the "Xuan Yuan Sword II" was launched globally.
- February: The PC version steam of the "Anecdotes of Xuan Yuan Sword: Maple Dancing" was launched globally.
- February: The PC version steam of the "TWMJ: Generations 1-3" was launched globally.
- March: The "Sword and Fairy: Jiu Ye mobile game" was launched in Taiwan and Mainland China.
- June: The "Sword and Fairy: Jiu Ye mobile game" was launched in Taiwan, Hong Kong, and Macau.
- June: The Switch, PS, and XBOX console version of the "Empire of Angels 4" was launched globally.
- July: The "Stardom: Destiny mobile game" was launched in Taiwan.
- August: The Switch console version of the "Richman 10" was launched in Asia.
- October: The PS and XBOX console version of the "Xuan Yuan Sword VII" was launched in Europe and North America.
- October: The PC version steam of the "Sword and Fairy 7" was launched globally.

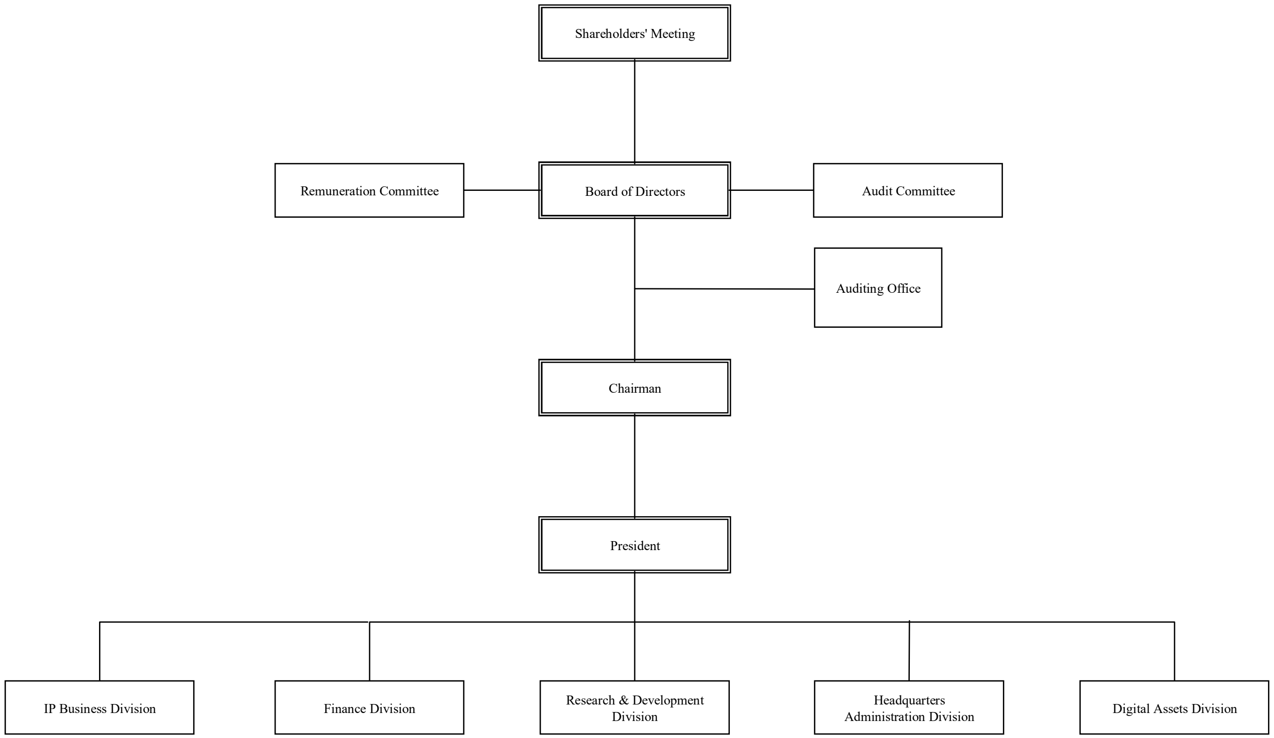
2022
- January: The PS console version of the "Xuan Yuan Sword VII" was launched in Mainland China.
- March: The PC version steam of the "Stardom series" was launched globally.
- March: Richman Heroes, the Richman-themed NFT, was issued.

Chapter 3. Corporate Governance Report

I. Organization

(I) Organization structure

April 20, 2022



(II) Functions of major departments

Department	Major function
Research & Development Division	1. Development and research for new technologies 2. Product quality control and compatibility test for software/hardware. 3. Manufacture and progress control for main planning, art design, programming, audiovisual post-production, music, sound effect.
Finance Division	Finance, accounting, and stock affairs.
IP Business Division	1. Negotiation on overseas licensing for game software and IP. 2. Promote overseas marketing markets and strategic alliances with other companies.
Headquarters Administration Division	1. Legal affairs. 2. Management and maintenance of fixed assets and office administrative affairs. 3. Management and maintenance of office information security, ERP system, and computer equipment. 4. Affairs related to Human Resources.
Auditing Office	Carry out audits on the accuracy and validity for the implementation of the internal control system, assist in reviewing and evaluating the operations and operating statements of the Company, and provide improvement recommendations.
Digital Assets Division	1. Research on affairs concerning blockchain and resource integration. 2. Production, development and distribution of NFTs. 3. Planning of the usage of cryptocurrency assets.

II. Directors, Supervisors and Management Team

(I) Directors and supervisors (I)

March 28, 2022

Unit: Share

Title	Nationality or domicile	Name	Gender (age)	Date elected (of accession)	Tenure	Date firstly elected	Shares held upon elected		Shares currently held		Shares held by spouse or minors		Holding shares in the name of another person		Primary experience (academic experience)	Titles concurrently held at the Company and other companies	Other supervisory roles, director or supervisor held by spouse or second-degree relations			Remark (Note 1) End of the full text
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	TU, CHUN-KUANG	Male (aged 40-50)	109.06.09	Three Years	103.01.17	0	0%	0	0%	0	0%	8,932,387	13.62%	EMBA, New York University, the US EMBA, Peking University Managing Director of Autian Group, Hong Kong Vice President of Golden Harvest Group, Hong Kong Supervisor of VIE SHOW CINEMAS CO., LTD., Taiwan	Note 1	Director Representative of Corporate Shareholder	Hsieh , Fang-Shu	Relative-in-Law	None
Director	British Cayman Islands	Angel Fund (Asia) Investments Limited Angel Fund (Asia) Investments Limited	-	109.06.09	Three Years	103.01.17	7,798,562	15.83%	9,018,562	13.75%	_	_	_	_	N/A	None	None	None	None	None
	Republic of China	Representative - YAO, CHUANG-HSIEN	Male (aged 50-60)	109.06.09	Three Years	106.06.30	7,199	0.01%	5,238	0%	0	0%	0	0%	Mining and Metallurgy Department, Taipei Institute of Technology Manager of Development Department, Softstar Entertainment Inc.	Note 2	None	None	None	None
Director	British Virgin Islands	Stone Capital Group Co., Ltd.	-	109.06.09	Three Years	109.06.09	7,753	0.02%	10,320	0.02%	_	_	_	_	N/A	None	None	None	None	None
	Republic of China	Representative: Hsieh, Fang-Shu	Female (aged 40-50)	109.06.09	Three Years	109.06.09	20,000	0.04%	26,625	0.04%	0	0%	0	0%	Department of Accounting, Lingdong Technical College Employee of Chinatrust Commercial Bank	Note 3	Chairman	TU, CHUN-KUANG	Relative-in-Law	None
Director (Note 1)	Samoa	KAL Holdings Corp.	-	109.06.09	Three Years	106.06.22	2,000	0%	2,662	0%	_	_	_	_	N/A	None	None	None	None	None
	Republic of China	Representative - KO AN LIN	Male (aged 40-50)	109.06.09	Three Years	108.01.30	0	0%	0	0%	0	0%	2,662	0%	Department of Electrical and Computer Engineering, Duke University, the US Representative of PARK HARVEST CAPITAL INC.	Note 1	None	None	None	None
Independent Director	Republic of China	HUNG, PI-LIEN	Female (aged 50-60)	109.06.09	Three Years	106.06.22	0	0%	0	0%	0	0%	0	0%	M.S. of Accounting, National Chengchi University Banking Officer, Taipei Exchange Supervisor of LIWANLI Innovation Co., Ltd.	Note 4	None	None	None	None
Independent Director (Note 2)	Republic of China	TSAI, CHENG-YUN	Male (aged 60-70)	109.06.09	Three Years	106.06.22	0	0%	0	0%	0	0%	0	0%	Accounting Statistics Department, Private Tamsui Oxford College Manager, CTBC Bank Co., Ltd.	Note 2	None	None	None	None
Independent Director	Republic of China	HSIEH, GUO-DONG	Male (aged 50-60)	109.06.09	Three Years	106.06.22	0	0%	0	0%	0	0%	0	0%	B.S., Mechanical Engineering, National Central University Business manager of IBM Business director of EMC	Taiwan Deputy President of Taiwan VMware Information Technology LLC.	None	None	None	None

Note: Where the Chairman of the Board and the President or equivalent person (Chief Executive) are the same person, each other's spouse or a relative of the first degree of kinship, the reasons, reasonableness, necessity and responsive measures (e.g., increase in the number of Independent Directors, and more than half of the Directors shall not concurrently serve as employees or managerial officers) shall be stated.

Note 1: Resigned on January 27, 2022.

Note 2: Resigned on October 18, 2021.

Note I: Director of SOFTSTAR ANIMATION LIMITED, JFN Investment Holding Corp., New Profit Holding Ltd., and Mega Media Group Limited, Chairman of Loftstar Interactive Entertainment Inc., Director of Activision Entertainment Ltd., director of Double Edge Entertainment Corp. (legal representative of Softstar Entertainment Inc.), director of Angel Fund (Asia) Investments Limited, director of Global Angel Investments Limited (legal representative of Global Angel Investments Limited), director of Global Angel Investments Limited, director of Oriental Golden Richness Ltd., director of Angel (Partners) Investments Limited, director of BACCHUS WINE GROUP CO., LTD. (legal representative of BACCHUS WINE GROUP CO., LTD.), director of BACCHUS WINE GROUP CO., LTD., director of ANGEL WINE & SPIRIT GROUP CO., LTD., director of MIGHTY BUILD VENTURES LIMITED, Chairman of Uniplus Electronics Co., Ltd., director of Kyle Irwin Wine International Co., Ltd., director of TIME VISION INTERNATIONAL LIMITED, Chairman of Green Bless Co., Ltd. (legal representative of Uniplus Electronics Co., Ltd.), Chairman of Jiuheyi Technology Co., Ltd. (legal representative of Uniplus Electronics Co., Ltd.), director of Lanjing Design Co., Ltd. (legal representative of Softstar Entertainment Inc.), director of Chiwei Technology Co., Ltd. (legal representative of Softstar Entertainment Inc.), director of Taiwan Angel Asset Investment Co., Ltd., supervisor od Decode Music Management Co. Ltd. (legal representative of EZ5 Innovation Inc.), and director of Channel First Investment Corp.

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

Note III: Chairman of Lianhe Weima Co., Ltd., Supervisor of Loftstar Interactive Entertainment Inc. (legal representative of Softstar Entertainment Inc.), Director of Uniplus Electronics Co., Ltd. (legal representative of Global Angel Investments Limited), and Supervisor of Neweb Technologies Co., Ltd. (legal representative of Lianhe Weima Co., Ltd.).

Note IV: Independent Director of ATrack Technology Inc.

Table 1: Substantial shareholders of corporate shareholders

March 28, 2022

Name of the corporate shareholder (Note 1)	Substantial shareholders of corporate shareholder (Note 2)	Shareholding ratio (%)
Angel Fund (Asia) Investments Limited Angel Fund (Asia) Investments Limited	Angel (Partners) Investments Limited	25%
	Future Kemy Limited	49%
	Rocket Parade Investment Limited	26%
Stone Capital Group Co., Ltd.	Tu, Chun-Jung	100.00%

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

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

Note 3: For legal person shareholder which is not a corporate organization, the name of the shareholder and shareholding ratio disclosed in the above table shall be the name of the investors or donors (the announcements and queries of the Judicial Yuan may be referred to) and its contribution or donation ratio. If the donors have passed away, the word "deceased" shall be added next to their names.

Table 2: Substantial shareholders of corporate shareholders

March 28, 2022

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

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

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

Note 3: For legal person shareholder which is not a corporate organization, the name of the shareholder and shareholding ratio disclosed in the above table shall be the name of the investors or donors (the announcements and queries of the Judicial Yuan may be referred to) and its contribution or donation ratio. If the donors have passed away, the word "deceased" shall be added next to their names.

(II) Directors and supervisors (II)

1. Disclosure of professional qualifications of Directors and Supervisors and the independence of Independence Directors:

Condition / Name	Professional qualification and experience (Note 1)	Independence (Note 2)	Serves as Independent Director for other publicly-listed companies
Chairman TU, CHUN-KUANG	Possesses industry-related knowledge and management capabilities; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	N/A	0
Director Angel Fund (Asia) Investments Limited Angel Fund (Asia) Investments Limited	N/A	N/A	N/A
Representative - YAO, CHUANG-HSIEN	Possesses industry-related knowledge and management capabilities; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies. None of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	N/A	0
Director Stone Capital Group Co., Ltd.	N/A	N/A	N/A
Representative: Hsieh, Fang-Shu	Possesses industry-related knowledge and management capabilities; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	N/A	0
Independent Director HUNG, PI-LIEN	Possesses a license of certified public accountant; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	In compliance with the independence defined in Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	1
Independent Director HSIEH, GUO-DONG	Possesses industry-related knowledge and management capabilities; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	In compliance with the independence defined in Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	0

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of individual directors and supervisors. If they are members of the Audit Committee and have accounting or financial expertise, their accounting or financial background and work experience shall be stated, as well as whether the circumstances in the subparagraphs of Article 30 of the Company Act apply.

Note 2: Independent directors should state their compliance in independence, including but not limited to whether they, their spouse, or relatives within the second degree of kinship serve as directors, supervisors or employees of the Company or its affiliated companies; the number and percentage of the Company's shares held by them, their spouse, or relatives within the second degree of kinship (or in the name of others); whether they serve as directors, supervisors or employees of companies which has a specific relationship with the Company (please refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); the amount of remuneration received for providing business, legal, financial, accounting and other services to the Company or its affiliated companies in the last two years.

2. Diversity and independence of the Board of Directors:

(1) Diversity of the Board of Directors

The Company advocates and respects the policy of diversity of directors. In order to strengthen corporate governance and facilitate the sound development of the composition and structure of the Board of Directors, it is believed that the policy of diversity will help improve the overall performance of the Company. The selection and appointment of Board members are based on the principle of employing talents based on their abilities, and they possess diverse and complementary capabilities across industries, including basic composition (e.g., gender, age, nationality, etc.), as well as industry experience and related skills (e.g., law, accounting, industries, finance, marketing or technology, etc.), as well as operational judgment, business management, leadership, decision-making and other skills.

In order to strengthen the functions of the Board of Directors and achieve the ideal goals of corporate governance, Article 20 of the Company's Corporate Governance Best Practice Principles clearly states that the members of the Board of Directors shall possess the following overall capabilities:

1. Business judgment ability.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. International market perspective.
7. Leadership.
8. Decision-making ability.

The Company's current diversity policy for Board members and its implementation are as follows:

The Company currently has 3 directors (including 2 legal person directors and each appoints a representative), and 2 independent directors; the 5 natural persons are all nationalities of the Republic of China. There are 3 males and 2 females; 2 are in their 40s, and 3 are in their 50s; the term of independent directors has not reached three terms.

	Business judgment ability	Accounting and financial analysis ability	Business management ability	Crisis management ability	Knowledge of the industry	International market perspective	Leadership	Decision-making ability
Chairman: Tu, Chun-Kuang	✓	✓	✓	✓	✓	✓	✓	✓
Director Representative: YAO, CHUANG-HSIEN	✓		✓	✓	✓		✓	✓
Representative: Hsieh, Fang-Shu	✓	✓	✓	✓			✓	✓
Independent Director: Hong, Pi-Lien	✓	✓	✓	✓				
Independent Director: Hsieh, Guo-Dong	✓		✓	✓	✓		✓	✓

(2) Independence of the Board of Directors:

The Board of Directors of the Company consists of seven directors (three of them are independent directors). The Board of Directors is independent, and more than half of them do not have a spousal relationship nor kinship within the second degree; among independent directors, or between independent directors and directors, at least one directors does not have one of the aforementioned relationships. The Board of Directors of the Company does not have any of the conditions specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

(II) President, Vice President, assistant general managers, and the chiefs of all the Company's divisions and branch units

March 28, 2022

Title	Nationality	Name	Gender	Date elected (of accession)	Shareholding		Shares held by spouse and minors		Holding shares in the name of another person		Primary experience (academic experience)	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company			Remark (Note 1) End of the full text
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	Republic of China	Tsay, Ming-Hung	Male	106.06.30	206,393	0.31%	960	0%	0	0%	Industrial Engineering and Management, Oriental Institute of Technology Manager of Development Department, Softstar Entertainment Inc. Assistant General Manager of Development Department, Softstar Entertainment Inc. Vice President of Development Department, Softstar Entertainment Inc.	Note 1	None	None	None	None
COO	Republic of China	CHEN, YAO-TIEN	Male	103.02.07	27,957	0.04%	0	0%	0	0%	Graduated from Department of Chemical Engineering of Tsing Hua University Department of Sociology, Chengchi University Deputy manager of Taiwan Fixed Network Senior Manager of Taiwan Index CEO of webzen Inc. Founder and CEO of Cayenne Entertainment Technology Co., Ltd. CEO of the Greater China region, Hoshin GigaMedia Center Inc., FunTown Branch Director of Spring House Entertainment Technology Inc.	Note 2	None	None	None	None
COO of IP Business Division	Republic of China	LIEN, CHIEN-CHIN	Male	103.02.07	16,269	0.02%	0	0%	0	0%	Department of Computer Science & Engineering, Yuan Ze University Master of Department of Computer Science & Engineering, Yuan Ze University	Note 3	None	None	None	None

											Engineer, Chunghwa Telecom Laboratory Manager of Development Department, Guanjiapo Technology Assistant manager of Development Department, Silicon Integrated Systems General Manager of Joymaster Inc.					
Vice President	Republic of China	Chuang, Jen-Chu'an	Male	110.02.01	0	0%	0	0%	0	0%	Department of Accounting, Tamkang University Manager of Audit Deparment, KPMG Taiwan CFO of Neweb Technologies Co., Ltd. Deputy General Manager in Management Department of NEWRETAIL	Note 4	None	None	None	None
Vice President	Republic of China	LIN, HUI-ZHEN	Female	104.04.16	61,589	0.10%	0	0%	0	0%	Graduate School of Law, Shih Hsin University Legal Director, Univision Technology Legal Project Manager, Airoha Technology Senior Legal Manager, Donglin Presicion Legal Manager, Softstar Entertainment Assistant General Manager of Administrative Department, Softstar Entertainment Inc.	Note 5	None	None	None	None
Vice President	Republic of China	Lin, Yun-Hua	Female	110.08.01	0	0%	0	0%	0	0%	University of Illinois at Urbana-Champaign Master of Science in Finance Manager, JAFCO Investment (Hong Kong) Limited Assistant General Manager of Corporate Merger & Acquisition Division, Deloitte & Touche Financial Advisory Corporation Managing Director, Global Angel Investments Limited	Note 6	None	None	None	None

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

Note 2: As of the publication date of the annual report, the Company has appointed two assistant general managers on April 1, 2021:

Chen, Yi-Fang: Education and experience: Department of Journalism, Shih Hsin University, marketing director of Taiwan Star Telecom Corporation Limited, sales director of Kuang-Hsu International/Tokyo Fashion Co., Ltd., and sales director of iFit Ltd.

Shen, Yong-Hsuan: Education experience: Master of Science in Finance, University of Illinois Urbana-Champaign, Managing Director of Global Angel Investments Limited, and Chief Investment Officer of Uniplus Electronics Co., Ltd.

Note I: Director of Gamebase Digital Media Corporation (legal representative of Softstar Entertainment Inc.).

Note II: Director and President of Loftstar Interactive Entertainment Inc. (legal representative of Softstar Entertainment Inc.), director of Uniplus Electronics Co., Ltd. (legal representative of Softstar Entertainment Inc.), and director of Neweb Technologies Co.,Ltd. (legal representative of Chander Electronics Corp.).

Note III: Chairman of A.R.T. Games Co., Ltd., Chairman of Gamebase Digital Media Corporation (legal representative of Softstar Entertainment Inc.), Chairman of Lishunno Technology Co., Ltd., Person-in-Charge of Galaxy Power Holdings Co., Ltd. in Republic of China, director of PayNow Inc. (legal representative of Red Sunrise Co., Ltd.), director of Red Sunrise Co., Ltd. (legal representative of Softstar Entertainment Inc.), and director of Niusnews Co., Ltd. (legal representative of Mega Media Group Limited).

Note IV: Director of Chander Electronics Corp. (legal representative of New Profit Holding Ltd.), director of PayNow Inc. (legal representative of Red Sunrise Co., Ltd.), director of Red Sunrise Co., Ltd. (legal representative of Softstar Entertainment Inc.), Chairman of Gamebase Digital Media Corporation (legal person representative of Softstar Entertainment Inc.), director of Loftstar Interactive Entertainment Inc. (legal representative of Softstar Entertainment Inc.), and director of A.R.T. Games Co., Ltd. (legal person representative of Softstar Entertainment Inc.).

Note V: Supervisor of Gamebase Digital Media Corporation (legal representative of Softstar Entertainment Inc.), director of Red Sunrise Co., Ltd. (legal representative of Softstar Entertainment Inc.) and director of Cyberbiz Corporation (legal representative of Fullmore Investment Co., Ltd).

Note VI: Director of BLC Group Holding Limited

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

(I) Compensation of General Directors and Independent Directors

December 31, 2021

Unit: NT$1,000/thousand shares

Title	Name	Director's remuneration								Ratio of the total of 4 items A, B, C and D to net profit after tax (%) (Note 10)		Compensations paid to concurrent employees								Ratio of the total of 7 items A, B, C, D, E, F, and G to net profit after tax (%) (Note 10)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 11)
		Remuneration (A) (Note 2)		Retirement pension (B)		Remuneration of Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, bonus, and special expenses (E) (Note 5)		Retirement pension (F)		Remuneration of employees (G) (Note 6)						
		The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report	The Company The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company		All companies in the financial report (Note 7)		The Company	All companies in the financial report	
																Cash	Stock	Cash	Stock			
Chairman	TU, CHUN-KUANG	0	0	0	0	10,642	10,642	306	330	1.47%	1.48%	960	960	0	0	3,394	0	3,394	0	2.06%	2.06%	0
Director	Angel Fund (Asia) Investments Limited, British Cayman Islands																					
	Representative: YAO, CHUANG-HSIEN																					
Director	British Virgin Islands Stone Capital Group Co., Ltd.																					
	Representative: Hsieh, Fang-Shu																					
Director (Note 2)	KAL Holdings Corp., Samoa																					
	Representative: KO AN LIN																					
Independent Director	HUNG, PI-LIEN	1,770	1,770	0	0	0	0	498	498	0.31%	0.31%	0	0	0	0	0	0	0	0	0.31%	0.31%	0
Independent Director	TSAI, CHENG-YUN (Note 1)																					
Independent Director	HSIEH, GUO-DONG																					

(Note 1): Resigned on October 18, 2021.

(Note 2): Resigned on January 27, 2022.

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

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

(1) Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
(2) Adoption or amendment of procedures for acquisition or disposal of assets, engaging in derivative trading, lending funds to others, and making endorsements or providing guarantees pursuant to Article 36-1 of the Securities and Exchange Act.
(3) Matters bearing on the personal interest of a director or a supervisor.
(4) Major assets or derivatives trading.
(5) Significant lending, endorsement or provision of guarantees.
(6) Raising, issuing, or private placing of equity-type securities.
(7) Appointment, dismissal, and compensation of CPAs.
(8) Appointment and dismissal of finance, accounting, or internal audit supervisors.
(9) Other major items required by the competent authority.

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

2. Other than disclosure in the above table, Directors remunerations received by providing services to all consolidated entities in the financial statements of the most recent year (e.g., providing consulting services as a non-employee to the parent company, all companies in the consolidated financial statements, and reinvestment businesses): None.

Table of remuneration ranges

Table of remuneration ranges for Directors of the Company	Name of the Director			
	Total remuneration of the above 4 items (A+B+C+D)		Total remuneration of the above 7 items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies listed in the financial statement (Note 9) H	The Company (Note 8)	Parent company and all investees (Note 9) I
Less than NT$1,000,000	HSIEH, FANG-SHU/KO AN LIN/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG/YAO, CHUANG-HSIEN	HSIEH, FANG-SHU/KO AN LIN/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG/YAO, CHUANG-HSIEN	HSIEH, FANG-SHU/KO AN LIN/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG	HSIEH, FANG-SHU/KO AN LIN/HUNG, PI-LIEN/TSAI, CHENG-YUN/HSIEH, GUO-DONG
NT$1,000,000 (inclusive) – NT$2,000,000 (exclusive)	Angel Fund (Asia) Investments Limited, British Cayman Islands/British Virgin Islands Stone Capital Group Co., Ltd./ KAL Holdings Corp., Samoa	Angel Fund (Asia) Investments Limited, British Cayman Islands/British Virgin Islands Stone Capital Group Co., Ltd./ KAL Holdings Corp., Samoa	Angel Fund (Asia) Investments Limited, British Cayman Islands/British Virgin Islands Stone Capital Group Co., Ltd./ KAL Holdings Corp., Samoa	Angel Fund (Asia) Investments Limited, British Cayman Islands/British Virgin Islands Stone Capital Group Co., Ltd./ KAL Holdings Corp., Samoa
NT$2,000,000 (inclusive) – NT$3,500,000 (exclusive)	None	None	None	None
NT$3,500,000 (inclusive) – NT$5,000,000 (exclusive)	None	None	YAO, CHUANG-HSIEN	YAO, CHUANG-HSIEN
NT$5,000,000 (inclusive) – NT$10,000,000 (exclusive)	TU, CHUN-KUANG	TU, CHUN-KUANG	TU, CHUN-KUANG	TU, CHUN-KUANG
NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive)	None	None	None	None
NT$15,000,000 (inclusive) – NT$30,000,000 (exclusive)	None	None	None	None
NT$30,000,000 (inclusive) – NT$50,000,000 (exclusive)	None	None	None	None
NT$50,000,000 (inclusive) – NT$100,000,000 (exclusive)	None	None	None	None
NT$100,000,000 or more	None	None	None	None
Total	10 persons	10 persons	10 persons	10 persons

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

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

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

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

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

Note 6: If the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) received employee bonus (including stock dividend and cash dividend) in the most recent year, please disclose the employee bonus approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year, and please also specify the table 1-3.

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

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

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

Note 10: Net profit after tax refers to the net profit after tax in the most recent parent company only or individual financial report.

Note 11:
a. This field should clearly indicate the amount of remuneration received by the Company's directors from a reinvestment business other than a subsidiary or the parent company (if not, please fill in "none").
b. If the Director of the Company receives remuneration from investee companies other than subsidiaries of parent company, the amount of remuneration received by the Director from the investee companies other than subsidiaries and parent company shall be combined into Column I of the Table of remuneration ranges, and this column shall be renamed as "parent company and all investee companies".
c. The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's directors who acted as the directors, supervisors or managerial officers (including employees, directors and supervisors) of investees other than subsidiaries.

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

(II) Remuneration for Supervisors

Re-election for all Directors was carried out at the shareholders' meeting of the Company on Jun. 22, 2017. The Audit Committee was established to substitute Supervisors; therefore, no remuneration for Supervisors occurred during 2020.

(III) Remuneration for the President and Vice President

December 31, 2021

Unit: NT$1,000/thousand shares

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A) (Note 2)</th><th colspan="2">Retirement pension (B)</th><th colspan="2">Bonuses and special expenses (C) (Note 3)</th><th colspan="4">Employees' remuneration (D) (Note 4)</th><th colspan="2">Ratio of total remuneration (A+B+C+D) to after-tax net income (%) (Note 8)</th><th rowspan="3">Compensation paid to directors from an invested company other than the Company’s subsidiaries or parent company (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All companies in the financial report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President</td><td>Tsay, Ming-Hung</td><td rowspan="8">15,101</td><td rowspan="8">15,101</td><td rowspan="8">0</td><td rowspan="8">0</td><td rowspan="8">902</td><td rowspan="8">902</td><td rowspan="8">12,770</td><td rowspan="8">0</td><td rowspan="8">12,770</td><td rowspan="8">0</td><td rowspan="8">3.87%</td><td rowspan="8">3.87%</td><td rowspan="8">0</td></tr>
<tr><td>Vice President</td><td>CHEN, YAO-TIEN</td></tr>
<tr><td>Vice President</td><td>LIEN, CHIEN-CHIN</td></tr>
<tr><td>Vice President</td><td>Yao, Chuang-Hsien (Note 1)</td></tr>
<tr><td>Vice President</td><td>HSIEH, PING-HUI (Note 2)</td></tr>
<tr><td>Vice President</td><td>LIN, HUI-ZHEN</td></tr>
<tr><td>Vice President</td><td>Chuang, Jen-Chu'an (Note 3)</td></tr>
<tr><td>Vice President</td><td>Lin, Yun-Hua (Note 4)</td></tr>
</table>

(Note 1): Transferred to become a consultant on November 12, 2021.

(Note 2): Resigned on January 31, 2021.

(Note 3): Appointed on February 1, 2021.

(Note 4): Appointed on August 1, 2021.

Table of remuneration ranges

Remuneration ranges for President and Vice President of the Company	Name of President and Vice President	
	The Company (Note 6)	Parent company and all investee companies (Note 7) E
Less than NT$1,000,000	HSIEH, PING-HUI	HSIEH, PING-HUI
NT$1,000,000 (inclusive) – NT$2,000,000 (exclusive)	None	None
NT$2,000,000 (inclusive) – NT$3,500,000 (exclusive)	Lin, Hui-Zhen/Chuang, Jen-Chu'an/Lin, Yun-Hua	Lin, Hui-Zhen/Chuang, Jen-Chu'an/Lin, Yun-Hua
NT$3,500,000 (inclusive) – NT$5,000,000 (exclusive)	Yao, Chuang-Hsien/Chen, Yao-Tien/Lien, Chien-Chin	Yao, Chuang-Hsien/Chen, Yao-Tien/Lien, Chien-Chin
NT$5,000,000 (inclusive) – NT$10,000,000 (exclusive)	Tsay, Ming-Hung	Tsay, Ming-Hung
NT$10,000,000 (inclusive) – NT$15,000,000 (exclusive)	None	None
NT$15,000,000 (inclusive) – NT$30,000,000 (exclusive)	None	None
NT$30,000,000 (inclusive) – NT$50,000,000 (exclusive)	None	None
NT$50,000,000 (inclusive) – NT$100,000,000 (exclusive)	None	None
NT$100,000,000 or more	None	None
Total	8 persons	8 persons

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

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

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

Note 4: Refer to the distribution amount of remuneration (including stock and cash) for President and Vice President approved by the Board for the past year, disclose the amount of remuneration distributed to employees after being approved by the Board for the past year. For amounts that are unable to estimate, propose the distribution amount for the year based on the actual distribution made last year, and fill out the Table 1-3.

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

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

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

Note 8: Net income after tax refers to net income after tax listed in the individual or stand-alone financial statements in the most recent year.

Note 9: a. This field should clearly indicate the amount of remuneration received by the Company's President or Vice President from a reinvestment business other than a subsidiary or the parent company (if not, please fill in "none").

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

c. The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's President and Vice Presidents who acted as the directors, supervisors or managerial officers (including employees, directors and supervisors) of investees other than subsidiaries.

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

Amount of Employee Bonus Paid to Managerial Officers and Their Names

December 31, 2021

Unit: Thousand NT$

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	Ratio of total amount to after-tax net income (%)
Managerial officers	President	Tsay, Ming-Hung	0	12,770	12,770	1.72%
	Vice President	CHEN, YAO-TIEN				
	Vice President	LIEN, CHIEN-CHIN				
	Vice President	YAO, CHUANG-HSIEN				
	Vice President	Chuang, Jen-Chu'an				
	Vice President	LIN, HUI-ZHEN				
	Vice President	Lin, Yun-Hua				

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

Note 2: Please specify the employee remuneration (including stock and cash) to be allocated to the managerial officers as approved by the Board of Directors in the most recent year. If it is impossible to estimate the amount, the amount to be allocated this year shall be based on that allocated physically last year. Net profit after tax refers to those that occurred during the past year. For companies adopted International Financial Reporting Standards, net profit after tax shall refer to those recorded in the parent company only financial report or the individual financial report for the past year.

Note 3: Managerial officers herein as defined in FSC's Decree No. 0920001301 issued on March 27, 2003 include:

(1) President and equivalents

(2) Vice President and equivalents

(3) Assistant General Manager and equivalents

(4) Head of Financial Department

(5) Head of Accounting Department

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

Note 4: If any Director, President or Vice Presidents has received employee bonus (including stock dividend and cash dividend), please complete table 1-2 and also this table.

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

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

Title	2020				2021			
	Total remuneration (NT$1,000)		Percentage to the net profit after tax of the parent company only financial report or the individual financial report (%)		Total remuneration (NT$1,000)		Percentage to the net profit after tax of the parent company only financial report or the individual financial report (%)	
	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report
Director (Note)	6,441	6,441	11.32	11.32	17,570	17,594	2.37	2.37
Supervisors	-	-	-	-	-	-	-	-
President and Vice Presidents	24,815	25,698	43.61	45.17	28,773	28,773	3.87	3.87

Note: Remuneration for Directors include remuneration for Directors as concurrent employees. For 2020, the profit after tax in the parent company only financial report was NT$56,896 thousand. For 2021, the profit after tax in the parent company only financial report was NT$743,583 thousand. Re-election for all Directors was carried out at the shareholders' meeting of the Company on June 22, 2017. The Audit Committee was established to substitute Supervisors.

2. Procedures for determining remuneration policy, standard and remuneration:

Policies on remuneration to directors and employees are drafted in the Articles of Incorporation. If profit is made, after accumulated deficit is covered, no less than 3% for employee's remuneration and no more than 3% for director's remuneration should be allocated. Independent directors of the Company receive remuneration at fixed amounts but they do not participate in the distribution of directors' remuneration.

Director's remuneration ratio should be distributed according to evaluation items such as title, attendance rate and participation in daily management of company in "Policy on Remuneration for Directors, Independent Directors, Remuneration/Audit Committee and Managerial Officers". The remuneration ratio should be discussed by the Remuneration Committee, approved by board resolution and reported to the Board of Shareholders.

Payment method for remuneration for the President and Vice Presidents should be established according to the Articles of Incorporation, the Company's salary system evaluation items, such as department performance, achievement rate and contribution degree of special performance and management performance of managerial officers, and through reference to criteria for the same position of the industry.

3. Connection to operating performance and future risk exposure: Payment of remuneration for Directors, President, and deputy President shall be based on related requirements of the Company and adjusted according to the operating performance and future risk exposure of the Company, and potential risks in the future shall be fully considered.

IV. Implementation of Corporate Governance

(I) Operations of the Board:

(1) Operations of Board of Directors

A total of 14 (A) meetings of the Board of Directors were held in the most recent year (2021). The attendance of the directors is as follows:

Title	Name (Note 1)	Actual attendance rate (B)	Number of delegated attendance	Rate of Actual Attendance (%) [B/A] (Note 2)	Remark
Chairman	TU, CHUN-KUANG	13	1	92.86	
Director	Angel Fund (Asia) Investments Limited, British Cayman Islands (Representative: YAO, CHUANG-HSIEN)	14	0	100.00	
Director	British Virgin Islands Stone Capital Group Co., Ltd. (Representative: HSIEH, FANG-SHU)	14	0	100.00	
Director	KAL Holdings Corp., Samoa (Representative: KO AN LIN)	9	0	64.29	
Independent Director	HUNG, PI-LIEN	14	0	100.00	
Independent Director	TSAI, CHENG-YUN	12	0	100.00	Resigned on October 18, 2021 (should attend 12 meetings)
Independent Director	HSIEH, GUO-DONG	14	0	100.00	

Other required disclosures:

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

(I) Matters included in Article 14-3 of the Securities and Exchange Act:
14 Board meetings were convened during 2021; the resolutions are as disclosed on page62 to page64 in the annual report. Matters included in Article 14-3 of the Securities and Exchange Act were approved as proposed by all Independent Directors.

(II) Other resolutions of the Board, which the Independent Directors voiced objection or reservation that are documented or issued through a written statement in addition to the above: None.

II. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, and reasons for recusal shall be specified:

(1) The 2nd proposal for discussion at the Board meeting on January 29, 2021: The proposal for the purchase of the private placement shares of Uniplus Electronics Co., Ltd.: Among all the attending Directors, Director Tu, Chun-Kuang abstained due to conflicts of interests, and the remaining Directors approved the proposal as proposed.

(2) The 7th proposal for discussion at the Board meeting on March 13, 2021: The proposal for lifting the restriction on non-competition of directors and their representatives: Among all the attending Directors, Directors Tu, Chun-Kuang, Hsieh, Fang-Shu, and Tsai, Cheng-Yun abstained due to conflicts of interests, and the remaining Directors approved the proposal as proposed.

(3) The 2nd proposal for discussion at the Board meeting on May 13, 2021: The proposal for the Company to purchase Cathay Private Equity Ecology Limited Partnership: Among all the attending Directors, Director Tu, Chun-Kuang abstained due to conflicts of interests, and the remaining Directors approved the proposal as proposed.

(4) The 2nd proposal for discussion at the Board meeting on August 12, 2021: The proposal for the distribution of remuneration for employees to managerial officers of the Company in 2020: Among all the attending Directors, Director Yao, Chuang-Hsien had abstained due to conflicts of interests, and the remaining Directors have approved the proposal as proposed.

(5) The 5th proposal for discussion at the Board meeting on August 12, 2021: The proposal for the purchase of the private placement shares of Uniplus Electronics Co., Ltd.: Among all the attending Directors, Director Tu, Chun-Kuang abstained due to conflicts of interests, and the remaining Directors approved the proposal as proposed.

(6) The 1st proposal for discussion at the Board meeting on October 8, 2021: The proposal for the purchase of the private placement shares of Chander Electronics Corp.: Among all the attending Directors, Director Tu, Chun-Kuang abstained due to conflicts of interests, and the remaining Directors approved the proposal as proposed.

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

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

(1) The Company is equipped with the Remuneration Committee: The Remuneration Committee assesses the remuneration policies and system for Directors and managerial officers of the Company, and provide advice to the Board.

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

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

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

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

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

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

Evaluation cycle (Note 1)	Annually
Period of evaluation (Note 2)	Evaluating the performance of the Board from January 1, 2021 to December 31, 2021.
Evaluation scope (Note 3)	Including performance evaluation of Board of Directors, individual directors and functional committee
Evaluation methods (Note 4)	Self-evaluation of the Board of Directors and functional committee and self-evaluation of board members of the Company for 2021
Evaluation content (Note 5)	(1) Self-evaluation Evaluation of performance for the Board of Directors: Including participation in the operation of the Company, the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control, etc. Evaluation of performance for the individual board members: Including alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control. Performance evaluation of the functional committees: At least include the level of participation in the Company's operations, the cognition of duties of functional committees, the quality of the functional committees' decisions, the composition and election of the members of the functional committees, internal control, etc. (2) External assessment (every three years) On December 24, 2019, the Company engaged EY Business Management Consulting Service Co., Ltd. (hereinafter referred to as EY) to conduct the evaluation of the Board performance for 2019 in terms of structure, people, and process and information through documentation review, self-evaluation survey, and on-site interview. The evaluation ranged over the Board structure and process, Board members, corporate organization, roles and responsibilities, behavior and culture, director training and development, supervision of risk control, and supervision of reporting, disclosure, and performance.

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

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

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

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

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

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

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

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

(II) Audit Committee

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

The Audit Committee held 11 meetings in 2021, and the major matters reviewed include:

(1) Review annual and quarterly financial reports and earnings distribution plans of the Company
(2) Revision of internal control system and assessment of effectiveness of internal control
(3) Assessing the independence of CPAs
(4) Material asset transactions
(5) Annual audit plans
(6) Appointment and removal of the CFO

A total of 11 (A) meetings of the Audit Committee were held in the most recent year (2021). The attendance of independent directors is as follows:

Title	Name	Attendance in person (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Notes 1 and 2)	Remark
Independent Director	HUNG, PI-LIEN	11	0	100.00	
Independent Director	TSAI, CHENG-YUN	9	0	100.00	Resigned on October 18, 2021 (should attend 9meetings)
Independent Director	HSIEH, GUO-DONG	11	0	100.00	

Other required disclosures:

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, contents of Independent Directors' objections, reservations or major proposals, and all Audit Committee resolutions, and the Company’s handling of such resolutions shall be specified:

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

Date of Audit Committee meeting	Period	Agenda	Contents of Independent Directors' objections, reservations or major proposals	The resolution results of the Audit Committee	Company's response regarding the Audit Committee's opinions
110.1.29	The 5th meeting of the second term	(1) Proposal for the purchase of the private placement shares of Uniplus Electronics Co., Ltd. (2) Proposal for appointment of the Company's CFO, corporate governance officer and spokesman	None	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
110.3.12	The 6th meeting of the second term	(1) Proposal for self-inspection on the internal control system for 2020 (2) 2020 Financial Report (3) Lift the non-competition restriction on the Directors and its representatives.	None	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
110.4.14	The 7th meeting of the second term	(1) Proposal for increasing the capital by earnings and capital reserve and issuing new shares in 2020 (2) Proposal for the amendments to partial provision of the Articles of Association.	None	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.

110.4.20	The 8th meeting of the second term	(1) Proposal for disposal of equity of Softstar Technology (Beijing) Co., Ltd. and intellectual property rights of Sword and Fairy (only in Mainland China).	None	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
110.5.13	The 9th meeting of the second term	(1) Formulate the Company's internal control system: "Property, Plant and Equipment Cycle - Right-of-use Asset Management Operation" (2) Investment in Cathy Private Equity	None	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
110.8.5	The 11th meeting of the second term	(1) Proposal for disposal of equity of Softstar Technology (Beijing) Co., Ltd. and intellectual property rights of Sword and Fairy (only in Mainland China) in terms of transaction counterparty, price, and transaction agreement.	None	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
110.8.12	The 12th meeting of the second term	(1) The Company plans to purchase privately placed ordinary shares of Uniplus Electronics Co., Ltd. issued in 2017	None	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
110.10.8	The 13th meeting of the second term	(1) The Company plans to purchase privately placed ordinary shares of Chander Electronics Corp. issued in 2016	None	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.

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

II. Where Independent Directors abstain in certain proposals for being a stakeholder, the name of the Independent Directors, the content of the proposal, reasons for abstentions and the results of voting counts shall be stated: None.

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

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

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

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

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

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

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

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
policy and concrete management goals for the composition of its Board, and has it been implemented accordingly? (II) Other than the Remuneration Committee and the Audit Committee required by law, does the Company plan to establish other functional committees voluntarily? (III) Did the company stipulate regulations for performance evaluation of the board, and its evaluation method, and conduct performance evaluation on a yearly basis; and submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term? (IV) Has the Company regularly implemented assessments on the independence of the CPA?	✓ ✓ ✓	 ✓	policy for the composition of its Board; the Board members generally have required knowledge, skills, and literacy for the execution of their responsibilities in respect with the operating practices or financial business of the Company. Diversification policy and the implementation are disclosed on the website of the Company. (II) Except for establishing the Remuneration Committee according to the law, the Company has increased the seats for Independent Directors during the re-election of Directors and established the Audit Committee to replace the function of Supervisors at the shareholders' meeting in 2017. At present, the Company has no other functional committee. (III) The Company has established the "Methodologies for Evaluating the Performance of the Board" on Jan. 11, 2017, and the Company distributed self-evaluation questionnaire to all members of the Board in December each year since 2017. Except for evaluating the operations of the Board, the questionnaire also required self-evaluations of the Board members. Five aspects of the measurement for evaluating the performance of the Board: I. Participation in the operation of the Company. II. Improvement of the quality of the Board's decision-making; III. Composition and structure of the Board; IV. Election and continuing education of the Directors. V. Internal control. Six aspects of the measurement for evaluating the	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			performance of the Board members: I. Alignment of the goals and missions of the Company. II. Awareness of the duties of a Director. III. Participation in the operation of the Company. IV. Management of internal relationship and communication. V. The Director's professionalism and continuing education. VI. Internal control. The five main criteria for performance evaluation of functional committees: I. Participation in the operation of the Company. II. Their recognition of the duties of the functional committees. III. The quality of decision made by the functional committees. IV. The composition of the functional committees and the election of their members. V. Internal control. After the recollection of questionnaires in January every year, the evaluation unit of the Company's Board will report the results of the questionnaires to the Board and provide recommendations for improvement. The aforementioned regulations and assessment results are disclosed on the Company's official website. Evaluation results for the performance of the latest Board meeting (2021): For the five aspects for the overall evaluation, there are 37 key items for self-evaluation determined by the Board, and the overall achieving rate has reached	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			over 90%. For the six aspects for the evaluation of Board members, there are 20 key items for self-evaluation determined by the Board, and the overall achieving rate has reached over 90%. For the five aspects for the overall evaluation, there are 24 key items for self-evaluation determined by the functional committees, and the overall achieving rate has reached over 90%. For the evaluation results of the board performance in 2021, the goals should be achieved. According to the spirit of corporate governance, improvement suggestions include attendance rate of directors in the shareholders' meeting and increase in further education of every director. The details and improvement suggestions of the aforesaid performance appraisal have been submitted to the Board of Directors on March 30, 2022, and applied to the reference of individual Directors' remuneration and nomination for re-appointment. On December 24, 2019, the Company engaged EY Business Management Consulting Service Co., Ltd. (hereinafter referred to as EY) to conduct the evaluation of the Board performance for 2019 in terms of structure, people, and process and information through documentation review, self-evaluation survey, and on-site interview. The evaluation ranged over the Board structure and process, Board members, corporate organization, roles and responsibilities, behavior and culture, director training and development, supervision of risk control, and supervision of reporting, disclosure, and performance. All Directors are encouraged to	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			increase their study hours. The details and improvement suggestions of the aforesaid performance appraisal have been submitted to the Board of Directors on March 5, 2020, and applied to the reference of individual Directors' remuneration and nomination for re-appointment. (IV) The Company has engaged Ernst & Young for the certification, excused from its direct or indirect beneficial relationships, and has no matters lacking independence. The assessment for certification of CPA's independence by the Board of the Company every year as follows (the latest assessment was conducted by the Board on March 30, 2022): Upon review, the following conditions were met. 1. Matters when it does not serve as the director, supervisor, managerial officer, or position with significant effects, nor stakeholders, and there are no direct or indirect interest conflicts. 2. Has not commissioned the certification services for seven years. 3. Obtain the independence declaration issued by the CPA on a regular basis	
IV. Did the TWSE/TPEx listed company has qualified and an appropriate number of corporate governance personnel, and appointed corporate governance directors responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information for operation, assisting directors and supervisors in following regulations, handling matters related to Board meetings and the shareholders' meetings in	✓		Finance Department of the Company is responsible for corporate governance affairs, and the deputy financial officer is responsible for supervision. The deputy financial officer is the director for corporate governance of the Company, a managerial officer of the Company, and has experiences in the management of legal affairs, finance, or stock affairs in publicly listed companies for more than three years. <u>Corporate governance affairs and functional authority of corporate governance personnel include (but not limit to)</u>	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
accordance with the regulations, preparing minutes for Board meetings and the shareholders' meetings, etc.)?			the following: I. Handling corporate registration and alteration registration. II. Handling matters relating to Board meetings and shareholders' meetings according to laws, and assist the company in complying with relevant laws and regulations regarding Board meetings and shareholders' meeting. III. Producing minutes of Board meetings and shareholders' meetings. IV. Provide the information required for the execution of operations and latest legal development in relation to operating a company to Directors and Supervisors, so as to assist Directors and Supervisors in complying laws and regulations. V. Affairs related to investors relation. VI. Other matters stated in the Articles of Association or contracts. Business performance for 2021: I. A total of 11 audit meetings and 14 board meetings were convened in 2021 and the general shareholders' meeting was convened on July 1, 2021: Carry out relevant procedures and complete minutes of board (shareholders') meeting. II. Handle the procedures for registration of change 3 times for 2021. III. Provide further education information and the amendment of the latest decrees to directors. IV. Handle the explanation session for the legal person on October 20, 2021 and handle investor's letter or call. Further education for 2021 is as follows:	

<table>
<tr><th rowspan="2">Assessment item</th><th colspan="3">Operations (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Start Date</th><th>End Date</th><th>Organizer</th><th>Course Name</th><th>Training Hours</th><th>Total training hours in the current year</th></tr>
<tr><td rowspan="4">1018</td><td rowspan="4">1214</td><td>Taipei Exchange</td><td>Briefing Session on the Equity of the Insiders of OTC and Emerging Companies</td><td>3</td><td rowspan="4">18</td></tr>
<tr><td>Securities & Futures Institute</td><td>Impact of and Response to the Latest Tax Law Changes on Business Operations</td><td>3</td></tr>
<tr><td rowspan="2">Accounting Research and Development Foundation, R.O.C</td><td>Legal Compliance of Corporate Sustainability ESG - Renewable Energy and Investing in Green Energy</td><td>6</td></tr>
<tr><td>Making Good Use of ESG to Enhance Corporate Strategy Capabilities and Respond to Sustainable Financial Trends</td><td>6</td></tr>
</table>
</td><td></td></tr>
<tr><td>V. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a</td><td>✓</td><td></td><td>The Company respects and protects the legal interests of its stakeholders. Except for creating the communication contact in the Stakeholders Section on its Company website, the Company also has a spokesperson and deputy</td><td>No material deviation.</td></tr>
</table>

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate social responsibilities?			spokesperson to make proper responses to the material corporate social responsibilities issues that our stakeholders concern and provide a channel for smooth communication.	
VI. Has the Company engaged a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	✓		The Company engaged the Stock Affair Agency Department of Yuanta Financial Holding Co., Ltd as its stock affair agency.	No material deviation.
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding its financial business and corporate governance information? (II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)? (III) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial report of the first, second and third quarters and the operation of each month in advance before the specified time limit?	(I) ✓ (II) ✓	(III) ✓	(I) The corporate website of the Company has an Investor Section and Corporate Governance Section, disclosing its complete information regarding financial report and turnover and information related to corporate governance (website: http://group.softstar.com.tw). (II) The Company adopts other methods for information disclosure. 1. Designate personnel to report and disclose financial and business information on the Market Observation Post System and the corporate website of the Company regularly and aperiodically. 2. Established a spokesperson system. (III) The time limit for announcement and declaration of financial statements is as follows: annual financial report: within 3 months after the end of each fiscal year (before March 31); financial report of the first, second and third quarters: within 45 days after the end of each quarter (before May 15, August 14 and November 14). The dates for the announcement of financial statements for the first-third quarters of 2021 and the fiscal year of 2021: May 14, 2021, August 12, 2021,	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
			November 15, 2021 and March 31, 2022. Although the Company's annual financial report has not been announced within two months after the end of the year, the financial report and the revenue of each month have been announced within the time limit in accordance with the law.	
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors and Supervisors of the Company)?	✓		1. Employee rights: The Company treat its employees with good faith and attach great value to the labor-management relationship. The Company has established the Employee Welfare Committee, Labor Meeting, Labor Pension Committee, and has been improving employee rights through multiple welfare measures and training. 2. Employee wellness: The Company holds employees' safety, mental and physical health in high regards, provides a comfortable and safe working environment for employees. The working premise is sterilized on a regular basis to improve the quality of the working environment. Free health inspection is provided for employees on a yearly basis to care for the physical health of our employees. 3. Investor relations: The Company has a spokesperson, deputy spokesperson, as well as its stock affair agency, Stock Affair Agency Department of Yuanta Financial Holding Co., Ltd, to provide consultancy for shareholders and investors. 4. Supplier relations: The Company maintains healthy relationships with its suppliers for the stability of costs and supplies. 5. Rights of stakeholders: Stakeholders may communicate with and provide recommendations to the Company.	No material deviation.

<table>
<tr><th rowspan="2">Assessment item</th><th colspan="3">Operations (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>6. Directors’ and Supervisors' training records: The Company aperiodically provides programs regarding relevant regulations and professional knowledge to Directors and Supervisors for their perusals.
7. Implementation of risk management policies and risk evaluation measures: The Company has established relevant risk management policies and risk measurement standards to carry out risk management and assessments.
8. Implementation of customer relations policies: The Company specifies the credit limit management in customers' data, establishes complete profiles for corresponding customers, and grants proper limit and collection conditions to ensure the smooth transactions. Furthermore, the Company values the privacy protection of consumers that it has been enforcing the protection of customers' data. The audit unit would perform unscheduled reviews.
9. The Company has been purchasing insurance for the Directors and Supervisors of the Company since December 2007.</td><td></td></tr>
<tr><td colspan="5">IX. Specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved. (Not required for companies not included in the evaluation)
Taiwan Stock Exchange's Corporate Governance Center published the corporate governance review result for 2021 in March 2022. The Company shall improve the following corporate governance review items in 2022:
All Directors are encouraged to increase their study hours.</td></tr>
</table>

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

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

On December 27, 2011, the Board of Directors decided to adopt the "Organizational Procedures of the Remuneration Committee" and set up the "Remuneration Committee". There are three members of the Remuneration Committee of the Company, all of whom are Independent Directors. The Remuneration Committee of the Company shall exercise the care of an administrator with good faith, faithfully fulfill the following functions and power, and submit the recommendations to the Board of Directors for discussion. Its responsibilities are as follows:

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

(1) Information of the members of Remuneration Committee

December 31, 2021

Identity (Note 1)	Name (Condition)	Professional qualification and experience (Note 2)	Independence (Note 3)	Number of other publicly listed companies where the individual concurrently serves as a member of the Remuneration Committee
Independent Director (Convener)	HONG, PI-LIEN	Refer to the relevant content of Table 1 Directors and supervisors (I)	In compliance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange	1
Independent Director	HSIEH, GUO-DONG	Refer to the relevant content of Table 1 Directors and supervisors (I)	In compliance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange	0
Other	TSAI, CHENG-YUN	Refer to the relevant content of Table 1 Directors and supervisors (I)	In compliance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange	1

(Note)

Note 1: Please specify in the form the relevant years of experience, professional qualifications and experience and independence of the members of the Remuneration Committee. If they are Independent Directors, please refer to the relevant content of Table 1 Directors and supervisors (I).

Please fill as independent directors or others in the identity conlumn (please annotate if the person is the convener).

Note 2: Professional qualification and experience: Specify the professional qualifications and experience of individual members of the Remuneration Committee.

Note 3: Compliance in independence: The compliance in independence of the members of the Remuneration Committee shall be stated, including but not limited to whether they, their spouse, or relatives within the second degree of kinship serve as directors, supervisors or employees of the Company or its affiliated companies; the number and percentage of the Company's shares held by them, their spouse, or relatives within the second degree of kinship (or in the name of others); whether they serve as directors, supervisors or employees of companies which has a specific relationship with the Company (please refer to the provisions of Article 6, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the amount of remuneration received for providing business, legal, financial, accounting and other services to the Company or its affiliated companies in the last two years.

Note 4: For disclosure methods, please refer to the Other Codes of Corporate Governance Best-Practice on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

(2) Operations of Remuneration Committee

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

II. **Term for this Remuneration Committee: From July 29, 2020 to June 8, 2023. A total of 4 (A) Remuneration Committee meetings were held in 2021. The information and attendance of the members was as follows:**

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

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

Date of Meeting	Period	Agenda	Resolutions of the Remuneration Committee	The Company's actions in response to the opinions of the Remuneration Committee
110.1.29	The 2nd meeting of the fifth term	(1) Proposal for the distribution of year-end bonus for senior managerial officers for 2020 (2) Proposal for appointment of new managers	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.
110.3.12	The 3rd meeting of the fifth term	(1) Proposal for the distribution of employee and Director remunerations for 2020	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.
110.8.12	The 4th meeting of the fifth term	(1) Proposal for the distribution of Director remunerations (2) Proposal for the distribution of remunerations for managerial officers and employees (3) Proposal for appointment of new	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.

		managers (4) Adjustment of managerial officers' remuneration		
110.12.24	The 5th meeting of the fifth term	(1) Proposal for the distribution of year-end bonus for senior managerial officers for 2021 (2) Proposal for the bonuses for managerial officers	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.

Other required disclosures:

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

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

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

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

(3) Information on the Members and Operations of Nomination Committee

The Company has not yet established a Nomination Committee.

(V) Implementation of Sustainable Development and Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons Thereof

Implementation item	Operations (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Does the Company establish an exclusively (or part-time) dedicated unit for promoting sustainable development? Is the unit authorized by the Board of Directors to implement sustainable development activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	✓		The Company has not established a dedicated unit for sustainable development, which is primarily co-managed by President Office, Administrative Department, Management Department, and the Employee Welfare Committee. They are primarily responsible for the proposal and execution of sustainable development policies, system, or related management directions, and particular promotional plan, and regularly report to the Board.	No material deviation
II. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)	✓		Where environmental, social and corporate governance issues have a significant impact on the Company's investors and other stakeholders, the Company will include them in the sustainable development issues and will work out risk management measures.	No material deviation
III. Environmental Issues (I) Has the Company established proper environmental management systems based on the characteristics of their industries? (II) Has the Company committed to improving the efficient use of energy and utilized renewable resources with low	 ✓ ✓		 (I) To reduce product packaging, the Company commits to focus on virtual sales channels. The Company recycles the packaging of its physical products according to recycling requirements, hoping to minimize the effects on the environment. The Company is not in the manufacturing	 No material deviation

environmental impact? (III) Does the Company assess the potential risks and opportunities brought by climate changes, both for now and in the future, and take measures to cope with? (IV) Does the Company conduct statistics on the greenhouse gas emissions, water consumption, and total weight of waste for the past two years, and correspondingly formulate policies for greenhouse gas reduction, water use reduction, or other waste management?	 ✓ ✓		industry; therefore, ISO 14001 is not applicable. The Management Department and outsourced parties are responsible for environmental affairs of the Company. (II) The Company understands its social responsibilities, commits to the paperless e-policy, promotes and implements the usage of recycled paper and related products with Green Mark. (III) The Company adheres to energy conservation and carbon reduction, including improvement of lighting equipment, using electronic forms and documents, energy conservation, garbage classification, light-out lunch break, employees bringing their own cutlery, and resources recycling and reuse. (IV) The Company is located in the office building. It advocates the conservation and recycling of water consumption and waste quantity. In addition, the temperature control of the air conditioner is also regulated by the central system, so as to play the role of energy conservation and carbon reduction.	
IV. Social Issues (I) Has the Company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty? (II) Has the company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation	 ✓ ✓		 (I) In order to fulfill corporate social responsibility and protect the basic human rights of all employees, the Company identifies with and voluntarily follows the "Universal Declaration of Human Rights", the "United Nations Global Compact", "United Nations Guiding Principles on Business and Human Rights", and "United Nations International Labor Organization" and other	 No material deviation

appropriately? (III) Does the Company provides safe and healthful work environments for their employees and organizes training on safety and health for their employees on a regular basis? (IV) Has the Company established an effective competency development career training program for employees? (V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, marketing, and labeling and established related consumer protection and customer equity policies as well as grievance procedures? (VI) Has the Company formulated a vendor management policy requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights, and supervised their compliance?	 ✓ ✓ ✓ ✓		internationally recognized human rights standards. The Company aims to put an end to any violations of human rights, and abide by the labor-related laws and regulations where the Company is located. In accordance with relevant labor laws and regulations, human rights conventions, and occupational safety and health laws and regulations, the Company has formulated "Regulations Governing Employee Recruitment, Selection and Appointment", "Employee Work Rules", "Regulations Governing Workplace Sexual Harassment Prevention Measures, Complaints and Disciplinary Measures", "Abnormal Workload-Induced Disease Prevention Program, "Directions for Prevention and Management of Unlawful Infringement in the Performance of Duties", "Workplace Maternal Health Protection Program" and "Measures for Preventing and Managing Ergonomic Hazards", etc., to safeguard the rights and interests of employees and protect the health and safety of employees. (II) In addition to complying with the Labor Standards Act and related regulations, the Company cooperates with the Ministry of Labor to promote work-life balance projects, and organizes sports clubs and brainstorming board games. (III) The Company provides a fine working environment, carries out employee health inspection, and purchases group insurance, COVID-19 and vaccine insurances for all	

			employees. (IV) In order to improve the required skills and management abilities of employees for the performance of their duties, the Company provides subsidies to its employees to participate in classes for training and values its internal training and experience sharing. (V) The Company engages in the game industry and has customer services and customer complaints handling standards and procedures in place; multiple customer complaints channels are available, and there are also specialists responsible for handling customer complaints. The Company attaches extreme importance on the protection of its trademark and its corporate image. It also works with professional law firms for relevant consultancy, complies with regulations, and adopts necessary measures. (VI) The Company collects relevant information before signing contracts with suppliers and adopts the measure of annual evaluation for suppliers. When selecting cooperating suppliers, the Company considers the policies of suppliers regarding all aspects of CSR. If products of such suppliers have significant effects on the environment and society, the Company requires such suppliers to make improvements. The contracts between the Company and its major suppliers have agreed on the unilateral contract termination terms. If the Company acknowledges that the suppliers are involved	

			in any activities that violate Company CSR policies and that significantly affect the environment and society, the Company may unilaterally terminate the contracts.	
V. Did the company, following internationally recognized guidelines, prepare and publish reports such as its Sustainability Report to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?		✓	The Company has not yet publish a Sustainability Report.	The Company attaches great importance to the issue of corporate social responsibility, and will prepare a Sustainability Report based on the actual circumstances and demands.
VI. Where the Company has stipulated its own sustainable development best practices principles according to the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any differences between the prescribed best practices and the actual activities: The Company has established its own CSR best practice principles (and its name is proposed to be changed to "Sustainable Development Best Practice Principles"), and the operations have no significant deviation from the principles. The Company will continue to implement various events beneficial to the social welfare through topics of environmental protection, consumers rights, safety and hygiene, and social welfare, striving to fulfill our greatest purpose of "taken from society, give back to society."				
VII. Other material information on the implementation of policies which contribute to the understanding of sustainable development: 1. Promote and implement concepts of environmental protection. 2. Value social care and provide help and support to vulnerable groups in society. 3. Attach importance to the cultural and artistic atmosphere and participate in public welfare events of art.				

Note 1: If "Yes" is checked in the operating status column, please explain the important policies, strategies, measures and implementation situations; if "No" is checked in the operating status column, please explain the circumstances and reasons in the column of "Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof", as well as provide relevant policies, strategies and measures to counter the situation in the future.

Note 2: The principle of materiality refers to environmental, social and corporate governance issues that have significant impacts on the Company's investors and other stakeholders.

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

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
I. Establish ethical corporate management policies and scheme (I) Has the company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies? (II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? (III) Has the company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	✓ ✓ ✓		(I) The Company has established the "Ethical Corporate Management Best Practice Principles", which has been approved by the Board of Directors to actively implement its ethical corporate management. (II) The Company has established "Operation Procedures and Code of Conduct for Ethical Corporate Management" and "Code of Ethical Conduct" to regulate the prevention and subsequent treatment of unethical conducts (including the conducts in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"), and directors at all levels also attach importance to the advocacy of ethical corporate management. (III) The Company has established "Procedures for Ethical Management and Guidelines for Conduct" and the "Codes of Ethical Conduct" to provide for highly unethical conducts (i.e., receiving bribery and misappropriation of public funds) within our business scope. Except for specifying unethical as a matter for	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
			dismissal in the code of conduct for employees, the Company will also file litigation based on the legal responsibilities of the related matters. The Company also regularly reviews and amends relevant operating procedures.	
II. Implementing integrity operation (I) Does the Company assess the ethics records of whom it has business relationships with and include business conduct and ethics related clauses in the business contracts? (II) Has the company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct? (III) Has the Company established policies to prevent conflict of interests, provide appropriate communication and complaint channels, and implement such policies properly? (IV) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a	✓ ✓ ✓ ✓		(I) Before any business dealings, the Company would collect information to assess the ethical corporate management status of counterparties, and make efforts to include ethical corporate management as the term of contracts or specify the ethical matters, and explain the ethical corporate management policies of the Company to the trading counterparties. (II) At present, the Company has not set up a responsible unit to promote the ethical corporate management. It is mainly promoted and implemented by a group composed of Administration Division, Management Department, Human Resources Department, etc., which is responsible for the formulation and supervision of the ethical corporate management and the prevention of unethical conduct scheme, including the "Operation Procedure of Ethical Corporate Management and Conduct Guide", "Whistle-blowing system" and "Code of Ethical Conduct", etc.	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
CPA to conduct the audit? (V) Has the Company hosted regular internal and external training geared towards business integrity practices?	✓		The group is affiliated with the Board of Directors and reports to the Board of Directors regularly (at least once a year). (III) Where the Director has interests in the proposals at the Board meeting, the Director may address his/her opinions and provide consultancy; however, he/she shall abstain from the discussion and vote. When reviewing contracts, the Company shall check the relationship of the signing parties, nature of the contracting matters, and risks of potential conflict of interests in the course of performing contracts. When there are suspicious conflicts of interests upon the execution of duties, employees may consult the Legal Department and report to its immediate supervisor. (IV) The Company established its accounting and internal control system according to relevant regulations, including paying attention to related party transactions, establishing the system for price inquiry/comparison/negotiation and approval system with hierarchical authorization. The Auditing Office also regularly audits the compliance status of the accounting system and internal control system and reports to the Board. (V) The Company regularly or aperiodically organizes communications and training.	

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
III. Operation of the Company's whistle-blowing system (I) Has the Company established specific complaint and reward procedures, set up conveniently accessible complaint channels, and designated responsible individuals to handle the complaint received? (II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? (III) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓ ✓ ✓		The Company has a "Whistle-blowing System" in place, which sets out the responsible unit and provides for standard operating procedures for investigating the complaints received and relevant confidential mechanism, and stipulates protective terms for those who filed the complaints to prevent them from being mistreated due to such complaints.	No material deviation.
IV. Strengthening information disclosure (I) Does the Company disclose its ethical corporate management best practice principles as well as information about the implementation of such guidelines on its website and Market Observation Post System?	✓		The Company has established its official corporate website to disclose the "Ethical Corporate Management Best Practice Principles" of the Company and relevant information	No material deviation.
V. Where the Company has stipulated its own ethical corporate management best practices according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any differences between the prescribed best practices and the actual activities taken by the company: The Company has established its own "Ethical Corporate Management Best Practice Principles", and the operations have no material deviation from the Principles.				
VI. Other material information contributes to understanding the ethical corporate operations of the Company: (i.e. Company review and make amendments to its ethical corporate operations) The Company implements regulations on the avoidance of conflict of interest in its ethical corporate management. In the event of an agenda item representing a conflict of interest for a director of for the entity he or she represents, the said director shall disclose the conflict of interest at the				

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary	
current Board meeting and refrain from discussion or vote on the matter. He or she shall be recused during discussion or vote on the matter and shall not exercise the right to vote on behalf of any other directors of the Board.				

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

(VII) Where the Company has stipulated its code of corporate governance and relevant rules, disclose its inquiry methods:

For any inquiry, please visit the Corporate Government Section at the official corporate website of the Company (http://group.softstar.com.tw).

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

(IX) Implementation of the internal control system

1. Internal control statement

Softstar Entertainment Inc.
Internal control system statement

Date: March 30, 2022

The Company hereby states the results of the self-evaluation of the internal control system for 2021 as follows:

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

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

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

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

V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2021, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.

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

VII. This statement was passed by the Board of Directors in their meeting held on March 30, 2022, with none of the five attending directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

Softstar Entertainment Inc.
Chairman:Tu Chun-Kuang
President: TSAY MING-HONG

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

(X) In the most recent fiscal year up to the publication date of this annual report, there has been punishment of the company or its internal personnel, or punishment of the company to its internal personnel for violating internal control system regulation, and its punishment results might have significant influence on shareholders' equity or securities' price, the punishment, main deficiencies and improvements shall be listed: None.

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

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

The general shareholders' meeting of the Company for 2021 was held at No. 8, Lane 11, Sec. 2, Dunhua S. Rd., Taipei City on July 1, 2021. The resolutions approved by the attending shareholders at the meeting are as follow:

(1) Ratification of the Company's 2020 Business Report and Financial Statements.

(2) Ratification of the 2020 Earnings Distribution Proposal.

Implementation status:
The annual after-tax net profit for 2020 was NT$56,896,372. According to law, the legal reserve and special reserve were appropriated; and after the retained earnings at the beginning of the period were added, the amount of the distributable earnings was NT$83,454,371. Therefore, it is proposed to pay shareholders dividends of NT$37,838,594, including a stock dividend of NT$25,225,730 and a cash dividend of NT$12,612,864. After the earnings distribution, the balance of the earnings at the end of the period was NT$45,615,777.

(3) Issue new shares by capital increase from surplus for 2020.

Implementation status:
Distributable earnings of NT$25,225,730 for 2020 were allocated and 2,522,573 new ordinary shares were issued to increase the capital: The Securities and Futures Bureau declared on August 13, 2021 and completed registration of change on November 19, 2021.

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

Implementation status:
The registration of amendments was completed on July 14, 2021.

(5) Approved the amendments to the Rules Governing Procedures for Shareholders' Meeting.

Implementation status:
All the amended provisions have been announced at the MOPS and on the Company's website after the shareholders' meeting on July 1, 2021.

(6) Lift the non-competition restriction on the Directors and its representatives.

Implementation status:
Lifted the non-competition restriction on three Directors, namely, TU, CHUN-KUANG, British Virgin Islands Stone Capital Group Co., Ltd. Representative HSIEH, FANG-SHU, and TSAI, CHENG-YUN. (Unless revealed at the shareholder's meeting, concurrent post should be recorded in minutes of board meeting)

(7) Proposal for disposal of equity of Softstar Technology (Beijing) Co., Ltd. and intellectual property rights of Sword and Fairy (only in Mainland China).

Implementation status:
Relevant contracts have been signed and executed, and the transfer procedures are

currently in progress.

2. Significant resolutions of the Board meeting

The Company has convened 19 Board meetings during 2021 and up to the date of printing the annual report in 2022; the summary for significant resolutions are as follow:

(1) 2021:

Date	Term of the Board meeting	Significant resolution
110.01.29	1st meeting in 2021	(1) Proposal for the budget and operating plans for 2021 (2) The Company plans to purchase privately placed ordinary shares of Uniplus Electronics Co., Ltd. issued in 2017 (3) Proposal for new site selection of the Company (4) Proposal for the ratification of subsidiaries invested by the Company (5) Amendment to the "Regulations Governing the Evaluation of the Performance of the Board of Directors" (6) Application for bank financing by the Company (7) Proposal for appointment of the Company's CFO, chief corporate governance officer and spokesperson (8) Proposal for the distribution of year-end bonus for senior managerial officers for 2020
110.03.12	2nd meeting in 2021	(1) Proposal for self-inspection on the internal control system for 2020 (2) Private placement resolved by the shareholders' meeting on June 9, 2020 will not continue to be handled (3) Amendments to the Company's Rules of Procedure for Shareholders' Meetings (4) Evaluation of independence of CPA (5) Approval of 2020 directors' and employees' compensation plans of the Company (6) Approval of the financial report for 2020 (7) Lift the non-competition restriction on the Directors and its representatives (8) Dates and agendas of the 2021 General Shareholders' Meeting (9) Schedule of receiving and handling shareholders' proposals (10) Lift the non-competition restriction on the managerial officers (11) Proposal for investments in subsidiaries (12) Proposal for application for bank financing (13) Amendments to the Company's Audit Committee Organizational Rules
110.04.14	3rd meeting in	(1) The 2020 Earnings Distribution Proposal

	2021	(2) Proposal for the Company's issuance of new shares by capital increase from surplus for 2020 (3) Proposal for the amendments to partial provision of the Articles of Association. (4) Proposal for the convention date and relevant matters for the 2021 General Shareholders' Meeting (newly-added proposal). (5) Proposal for the ratification of the purchase of partial equity of subsidiary Gamebase Digital Media Corporation (6) Proposal for the ratification of capital increase of Double Edge Entertainment Corp. (7) Proposal for the application of bank financing by the Company
110.04.20	4th meeting in 2021	(1) Proposal for disposal of equity of Softstar Technology (Beijing) Co., Ltd. and intellectual property rights of Sword and Fairy (only in Mainland China). (2) Proposal for the convention date and relevant matters for the 2021 General Shareholders' Meeting (newly-added proposal).
110.05.13	5th meeting in 2021	(1) Formulate the Company's internal control system: "Property, Plant and Equipment Cycle - Right-of-use Asset Management Operation" (2) Investment in Cathay Private Equity Smart Technology Limited Partnership (3) Application for bank financing (4) Proposal for the ratification of investments in subsidiaries
110.06.11	6th meeting in 2021	(1) Postponement of the 2021 General Shareholders' Meeting. (2) Proposal for the Company to obtain the shares of the subsidiary Mighty Leader Limited by offering the intellectual property rights of Sword and Fairy (only in Mainland China) for exchange (3) Proposal for the Company to exchange stocks with the subsidiary Time Vision International Limited
110.06.23	7th meeting in 2021	(1) Chage of venue for the 2021 General Shareholders' Meeting.
110.07.16	8th meeting in 2021	(1) Lift the non-competition restriction on the managerial officers. (2) Proposal for the ratification of investments in subsidiaries
110.08.05	9th meeting in 2021	(1) Proposal for the amendment of the Article of Assocation of Gamebase Digital Media Corporation (2) Proposal for disposal of equity of Softstar Technology (Beijing) Co., Ltd. and

		intellectual property rights of Sword and Fairy (only in Mainland China) in terms of transaction counterparty, price, and transaction agreement.
110.08.12	10th meeting in 2021	(1) Proposal for distribution of Directors' remuneration in 2020 (2) Proposal for distribution of managers' compensation within employee compensation in 2020 (3) Proposal for the ratification of the newly appointed managerial officers (4) Proposal for salary adjustment of the relevant managerial officers of the Company (5) The Company plans to purchase privately placed ordinary shares of Uniplus Electronics Co., Ltd. issued in 2017
110.08.24	11th meeting in 2021	None
110.10.08	12th meeting in 2021	(1) The Company plans to purchase privately placed ordinary shares of Chander Electronics Corp. issued in 2016 (2) Draft the proposal for ex-dividend base date of cash dividends, base date of earnings and new shares for capital increase for 2020.
110.11.10	13th meeting in 2021	(1) The Company's annual audit plan for 2022
110.12.24	14th meeting in 2021	(1) Proposal for the distribution of year-end bonus for senior managerial officers for 2021 (2) Proposal for the ratification of the special bonuses for senior managerial officers (3) Proposal for the investment in Red Sunrise Co., Ltd. by the Company (4) Proposal for the capital increase of subsidiary Gamebase Digital Media Corporation

(2) For 2022 until the date of printing the book :

Date	Term of the Board meeting	Significant resolution
111.01.07	1st meeting in 2022	(1) Proposal for establishing a domestic subsidiary in a joint venture with Uniplus Electronics Co., Ltd. (2) Proposal for the budget and operating plans for 2022
110.03.09	2nd meeting in 2022	(1) Proposal for subsidiary Chiwei Technology Co., Ltd. to obtain 50% of Array Holdings for APGFIII Fund LPS (2) Proposal for the amendment to the "Procedures for the Acquisition or Disposal of Assets". (3) Proposal for the convening date and relevant

		matters for the general shareholders' meeting for 2022 (4) Procedure of receiving and handling shareholders' proposals
111.03.18	3rd meeting in 2022	(1) Proposal for the ratification of the personnel adjustment of managerial officers of the subsidiaries of the Company (2) Amendments to the "Policy of Compensation of Directors, Independent Directors, Remuneration/Audit Committee Members and Managerial Officers" (3) The Company proposes the remuneration of the Chairman (4) Proposal to lift the non-competition restriction on the managerial officers. (5) Proposal for election of Directors (including the Independent Directors) (6) Proposal to lift the non-competition restriction on the newly elected Directors and its representatives. (7) Proposal for the convening date and relevant matters for the general shareholders' meeting for 2022 (newly added election and proposals). (8) Acceptance of matters related to the nomination right of shareholders for Directors/Independent Directors, review standards and operation procedures
111.03.30	4th meeting in 2022	(1) Proposal for the subsidiary Lanjing Design Co., Ltd. to purchase private placement shares of Chander Electronics Corp. (2) Disposal of equity of auer Media & Entertainment Corp. (3) Proposal for self-inspection on the internal control system for 2021 (4) Evaluation of independence of CPA (5) Proposal for the distribution of employee and Director remunerations for 2021 (6) Approval of 2021 Financial Report (7) Proposal for appointment of new managerial officers (8) Proposal for appointment of new managerial officers
111.04.13	5th meeting in 2022	(1) Earnings distribution table of 2021 (2) Proposal of the Company's 2021 capitalization of earnings and issuance of new stocks (3) Newly added proposals for the 2022 General Shareholders' Meeting (4) Proposal for the nomination and review of the list of candidates for Directors and Independent Directors

		(5) Proposal for the subsidiary Lanjing Design Co., Ltd. to purchase private placement shares of Chander Electronics Corp.

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board of directors during the most recent year and up to the date of publication of this annual report: None.

(XIII) Summary of resignations and dismissals of the Company's Chairman, President, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, and R&D Supervisor, etc., during the most recent fiscal year and up to the date of publication of the annual report:

Summary of resignation and dismissal of persons associated with the Company

April 20, 2022

Title	Name	Date of appointment	Date of departure	Reason for resignation or dismissal
CFO and Chief Corporate Governance Officer	HSIEH, PING-HUI	104.06.24	110.01.29	Resignation

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

V. Information on the professional fees of the attesting CPAs (external auditors)

1. The company shall disclose the amounts of the audit fees and non-audit fees paid to the attesting certified public accountants and to the accounting firm to which they belong and to any affiliated enterprises as well as the details of non-audit services: Please refer to the details below.
2. Where the CPA firm was replaced, and the audit fees during the year, when the replacement was made, were less than that in the previous year before replacement, the amount of audit fees paid before/after replacement and reasons for paying this amount shall be disclosed: None.
3. When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: Not applicable.

Information on the professional fees of the attesting CPAs (external auditors)

Unit: NT$1,000

Name of the accounting firm	**Name of CPA**	**Auditing period for the CPA**	**Audit fees**	**Non-audit fees**	**Total**	**Remark**
PwC Taiwan	YU, CHIEN-JU	110.01.01~110.12.31	3,030	180	3,210	Note 1
	YANG, CHIH-HUEI	110.01.01~110.12.31				

Note 1: Services received by paying non-audit fees: Including NT$120 thousand for the filing of issuing new shares as stock dividends to the Securities and Futures Bureau and NT$60 thousand for the resignation of the Independent Directors and the registration of the capitalization of retained earnings.

Note: If the Company has changed CPAs or accounting firms in this year, please list the audit period respectively, explain the reasons for the change in the remarks column, and disclose the audit and non-audit public fees paid in sequence. Non-audit public fees and should be annotated to specify its service content.

VI. Information on the changes of CPA: None.

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

None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by Directors, Supervisors, managerial officer, or shareholders with a stake of more than 10% during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

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

Unit: Share

Title (Note 1)	Name	2021		As of March 31, 2022	
		Change in shares held	Change in number of pledged shares	Change in shares held	Change in number of pledged shares
Chairman	TU, CHUN-KUANG	0	0	0	0
Director/ Major shareholder	Angel Fund (Asia) Investments Limited, British Cayman Islands	(954,941)	0	0	0
Director	British Virgin Islands Stone Capital Group Co., Ltd.	396	0	0	0
Director	KAL Holdings Corp., Samoa (Note VI)	102	0	-	-
Independent Director	HUNG, PI-LIEN	0	0	0	0
Independent Director	TSAI, CHENG-YUN (Note V)	-	-	-	-
Independent Director	HSIEH, GUO-DONG	0	0	0	0
President	Tsay, Ming-Hung	34,074	0	0	0
Vice President	CHEN, YAO-TIEN	22,075	0	0	0
Vice President	LIEN, CHIEN-CHIN	10,610	0	(2,000)	0
Vice President	Yao, Chuang-Hsien (Note I)	(8,699)	0	0	0
Vice President	LIN, HUI-ZHEN	19,623	0	0	0
Vice President	Chuang, Jen-Chu'an (Note II)	-	-	0	0
Vice President	Lin, Yun-Hua (Note III)	-	-	0	0

Note 1: Shareholders holding more than 10% of the total shares of the Company shall be annotated as substantial shareholders, and shall be presented separately.
Note 2: If the counterparty of the transfer or pledge of shares is a related person, fill out the following table.

Note I: Transferred to become a consultant on November 12, 2021.
Note II: Appointed on February 1, 2021.
Note III: Appointed on August 1, 2021.
Note IV: Resigned on January 27, 2022.
Note V: Resigned on October 18, 2021.

(II) If the counterparty of the transfer of shares conducted by Directors, Supervisors, managerial officers, and shareholders with shareholding ratios of 10% is a related person:

The transfer target of 10% of the shareholders of Angel Fund (Asia) Investments Limited, British Cayman Islands is the Channel First Investment Corp (the two companies share the same company representative).

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

IX. Relationship information, if among the company's 10 largest shareholders any one is a related party as defined in No. 6 of Statements of Auditing Standards or a relative within the second degree of kinship of another

March 28, 2022
Unit: Share

Name (Note 1)	Shares held in person		Shares held by spouse and minors		Total shares held in the name of another person		NAME AND RELATIONSHIP, IF, AMONG THE TOP TEN SUBSTANTIAL SHAREHOLDERS, ANY ONE OF THEM IS A RELATED PARTY, OR IS THE SPOUSE OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP OF ANOTHER. (NOTE 3)		Remark
	Number of shares	Percentage of shares ratio Percentage	Number of shares	Percentage of shares ratio Percentage	Number of shares	Shareholding ratio	Name of the entity (or name of the person)	Relationship	
Angel Fund (Asia) Investments Limited	6,628,195	10.11%	0	0	0	0	Note 4	Note 4	
Angel Fund (Asia) Investments Limited Representative: TU, CHUN-KUANG	0	0	0	0	8,932,387	13.61%	Note 4	Note 4	
Tsao, Chih-Liang	3,884,514	5.92%							
Global Angel Investments Limited	3,594,639	5.48%	0	0	0	0	Note 4	Note 4	
Global Angel Investments Limited Representative: TU, CHUN-KUANG	0	0	0	0	8,932,387	13.61%	Note 4	Note 4	
Uniplus Electronics Co., Ltd.	3,251,817	4.96%	0	0	0	0	Note 4	Note 4	
Uniplus Electronics Co., Ltd. Representative: TU, CHUN-KUANG	0	0	0	0	8,932,387	13.61%	Note 4	Note 4	
Oriental Golden Richness Ltd.	3,039,325	4.63%	0	0	0	0	Note 4	Note 4	
Oriental Golden Richness Ltd. Representative: TU, CHUN-KUANG	0	0	0	0	8,932,387	13.61%	Note 4	Note 4	
Chen, Da-Yu	2,903,372	4.43%							
Soft-World International Corporation	2,662,697	4.06%	0	0	0	0	Gameflier International Corporation	Representative of the companies is the same person	
Soft-World International Corporation Representative: WANG, JUN-BO	0	0	0	0	0	0	Gameflier International Corporation	Representative of Gameflier International Corporation	
Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments Limited	2,390,367	3.64%	0	0	0	0	Note 4	Note 4	
Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments Limited Representative: TU, CHUN-KUANG	0	0	0	0	8,932,387	13.61%	Note 4	Note 4	
Special account for Taipei Fubon Commercial Bank as Custodian of nvestments of Channel First Investment Corp.	2,298,423	3.50%	0	0	0	0	Note 4	Note 4	
Special account for Taipei Fubon Commercial Bank as Custodian of nvestments of Channel First Investment Corp. Representative: TU, CHUN-KUANG	0	0	0	0	8,932,387	13.61%	Note 4	Note 4	
Gameflier International Corporation	1,531,051	2.33%	0	0	0	0	Soft-World International Corporation	Representative of the companies is the same person	
Gameflier International Corporation Representative: WANG, JUN-BO	0	0	0	0	0	0	Soft-World International Corporation	Representative of Soft-World International Corporation	

Note 1: All the top ten shareholders shall be listed. For corporate shareholders, their names and the name of their representatives shall be listed separately.
Note 2: The calculation of shareholding ratios refers to the shareholding ratio calculated based on the name of oneself, spouse, minors, or in the name of another person.
Note 3: Relationships between the aforementioned shareholders, including corporate shareholders and natural person shareholders shall be disclosed based on the financial reporting standards used by the issuer.
Note 4: Angel Fund (Asia) Investments Limited, Global Angel Investments Limited, Uniplus Electronics Co., Ltd., Oriental Golden Richness Ltd., Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments Limited, Special account for Taipei Fubon Commercial Bank as Custodian of nvestments of Channel First Investment Corp.: The representatives of the aforementioned companies are all Mr. Tu, Chun-Kuang; the relationship among all the companies is that their representatives is the same person.

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

April 20, 2022; Unit: shares

Reinvestment business (Note)	Investments of the Company		Investments made by Directors, Supervisors, managerial officers and business directly or indirectly controlled by the Company		Total ownership	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
A.R.T. Games Co., Ltd.	1,225,000	49.00%	745,000	29.80%	1,970,000	78.80%

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

Chapter 4 Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Formation of Capital

Unit: NT$

April 20, 2022

Year/Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Contribution by Property Other than Cash	Others
109.03	0	130,000,000	1,300,000,000	49,288,530	492,885,300	Cancellation of 6,000 restricted employee shares repurchased from employee departure	None	March 20, 2020 Fu-Chan-Ye-Shang-Tze Document No. 10947377500 was approved
109.08	0	130,000,000	1,300,000,000	49,263,530	492,635,300	Treasury stock cancellation of 25,000 shares	None	August 4, 2020 Fu-Chan-Ye-Shang-Tze Document No. 10952502000 was approved
109.11	0	130,000,000	1,300,000,000	58,135,465	581,354,650	Capital increase by retained earnings 8,871,935 shares.	None	November 16, 2020 Jing-Shou-Shang-Zi Document No. 10901210460 was approved
109.12	0	130,000,000	1,300,000,000	63,064,318	630,643,180	Capital increase by capital reserve 4,928,853 shares.	None	December 25, 2020 Jing-Shou-Shang-Zi Document No. 10901240670 was approved
110.11	0	130,000,000	1,300,000,000	65,586,891	655,868,910	Capital increase by retained earnings 2,522,573 shares.	None	November 19, 2021 Jing-Shou-Shang-Zi Document No. 11001203730 was approved

2. Type of Shares

April 20, 2022; Unit: Share

Type of Shares	Authorized Capital			Remark
	Outstanding Shares (Notes 1~5)	Unissued Shares	Total	
Common shares	65,586,891	64,413,109	130,000,000	
Total	65,586,891	64,413,109	130,000,000	

Note 1: A total of 5,562,500 privately placed common shares were issued on April 14, 2010 but yet to be listed on TPEx as appropriated.
Note 2: A total of 4,978,562 privately placed Type A preferred shares were issued on June 11, 2007 and converted into common shares on August 2, 2010 but yet to be listed on TPEx as appropriated.
Note 3: A total of 8,500,000 privately placed common shares were issued on March 21, 2014 but yet to be listed on TPEx as appropriated.
Note 4: A total of 2,000,000 privately placed common shares were issued on March 25, 2016 but yet to be listed on TPEx as appropriated.
Note 5: For the abovementioned privately placed common shares, due to distribution of retained earnings for 2019 and 2020, a total of 5,894,485 and 1,077,422 privately placed shares were issued respectively to increase the capital, but yet to be listed on TPEx as appropriated.

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

(II) Shareholder Structure

March 28, 2022 Unit: Person, shares

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Individuals	Total
Number of people	-	-	119	12,428	28	12,575
Number of shares held	-	-	14,622,338	37,526,799	13,437,754	65,586,891
Shareholding ratio	-	-	22.29%	57.22%	20.49%	100.00%

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

(III) Diffusion of Ownership

1. Common Shares

Par value: NT$10/share March 28, 2022; Unit: Person, share

Scale of Shareholding	Number of Shareholders	Number of shares held	Shareholding ratio
1 ~ 999	7,176	653,173	1.00%
1,000 ~ 5,000	4,532	8,187,402	12.48%
5,001 ~ 10,000	449	3,330,305	5.08%
10,001 ~ 15,000	152	1,884,985	2.87%
15,001 ~ 20,000	71	1,264,722	1.93%
20,001 ~ 30,000	67	1,642,077	2.50%
30,001 ~ 40,000	31	1,110,753	1.69%
40,001 ~ 50,000	15	676,587	1.03%
50,001 ~ 100,000	39	2,608,970	3.98%
100,001 ~ 200,000	16	2,028,164	3.09%
200,001 ~ 400,000	10	2,867,298	4.37%
400,001 ~ 600,000	0	0	0.00%
600,001 ~ 800,000	1	603,262	0.92%
800,001 ~ 1,000,000	4	3,568,801	5.44%
1,000,001 or more	12	35,160,392	53.62%
Total	12,575	65,586,891	100.00%

2. Preferred shares: None.

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

Unit: Share; March 28, 2022

Shares / Major Shareholder	Number of shares held	Shareholding ratio
ANGEL FUND (ASIA) INVESTMENTS LIMITED	6,628,195	10.11%
Tsao, Chih-Liang	3,884,514	5.92%
Global Angel Investments Limited	3,594,639	5.48%
Uniplus Electronics Co., Ltd.	3,251,817	4.96%
Oriental Golden Richness LTD	3,039,325	4.63%
Chen, Da-Yu	2,903,372	4.43%
Soft-World International Corporation	2,662,697	4.06%
Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments Limited	2,390,367	3.64%
Special account for Taipei Fubon Commercial Bank as Custodian of nvestments of Channel First Investment Corp.	2,298,423	3.50%
Gameflier International Corporation	1,531,051	2.33%

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

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

Unit: NT$
(Unless otherwise stated)

Year / Item			2020	2021	As of April 30, 2022 (Note 8)
Market price per share (Note 1)	Highest		99.90	111.00	112.50
	Lowest		39.15	49.75	79.00
	Average		76.70	68.82	89.94
Net worth per share (Note 2)	Before distribution		13.84	32.61	N/A
	After distribution		13.25	(Note 2)	N/A
Earnings (loss) per share (NT$)	Weighted average number of shares (in thousand of shares)		64,988	65,434	N/A
	Earnings per share (Note 3)		0.91 (Before adjustment) 0.88 (After adjustment)	11.36	N/A
Dividend per share	Cash dividends		0.2	(Note 2)	N/A
	Stock dividends	Surplus earnings	0.4	(Note 2)	N/A
		Capital reserve	-	(Note 2)	N/A
	Unpaid dividends (Note 4)		0	0	N/A
Return on investment	Price-to-earnings ratio (Note 5)		84.29	6.09	N/A
	Price-to-dividend ratio (Note 6)		383.50	(Note 2)	N/A
	Dividend yield (Note 7)		0.26%	(Note 2)	N/A

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

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

Note 2: The number of shares that have been issued by the end of the year or the resolution at the shareholders' meeting in the following year shall apply.
Earnings Distribution for 2021 has not been resolved by the Annual Shareholders' Meeting in 2022, so they are not represented.

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

Note 4: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

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

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

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

Note 8: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

(VI) Dividend Policy and Its Implementation

1. Dividend Policy:

   When there are earnings in the annual final accounts of the Company, 10 % of the balance, after deducting all taxes and making up for the losses in the past years, shall be set aside for the statutory surplus reserves, except when the cumulative statutory surplus has reached the paid-in capital of the Company. Special surplus reserves required by the regulations shall also be allocated and the balance then added with the unallocated earnings from previous years. Subsequently, after taking into consideration the capital needed for operations, financial structure, the current annual earnings and the stability of dividend distribution, the Board of Directors shall plan the earnings distribution and forward a proposal to the shareholders meeting forapproval.

   The Company’ s dividend distribution policy is subject to the Company’ s operational needs and the maximum interests of shareholders. The distribution of shareholder dividends is based on the principle of stock dividends. If there are surpluses, the cash dividends are distributed to shareholders. However, the proportion of cash dividends is not more than 50% of the total dividend distribution.

2. Distribution of Dividends Proposed in the Shareholders' Meeting:

   2021 Earnings Distribution Plan was drafted in board meeting on April 13, 2022: Dividends valued NT$393,521,353 to be distributed; including stock dividends valued NT$196,760,680 (NT$3 per share) and cash dividends valued NT$196,760,673 (NT$3 per share).

   Action will be taken pursuant to relevant provisions once the proposal is resolved in the Annual Shareholders' Meeting on May 27, 2022.

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

		2022 (Estimate)
Beginning paid-in capital		NT$655,868,910
Distribution of shares and dividends in the current fiscal year (Note 1)	Cash dividend per share	3.0
	Number of shares allotted for capital transferred from earnings	3.0
	Capital reserve to capital increase	-
Changes in operating performance	Operating Income	(Note 2)
	Operating profit increase (decrease) ratio over the same period last year	
	NIAT	
	Ratio of increase (decrease) in NIAT compared with the same period in previous year	
	Earnings (loss) per share (NT$)	
	Earnings per share increase (decrease) ratio over the same period last year	
	Annual average return on investment (annual average P/E ratio)	

Pro-forma earnings per share and P/E ratio	If capital transferred from capital reserve is replaced by cash dividends distribution	Pro-forma earnings per share	
		Pro-forma average annual return on investment	
	If capital transferred from capital reserve is not conducted	Pro-forma earnings per share	
		Pro-forma average annual return on investment	
	If capital reserve has not been prepared and capital transferred from earnings is changed into distribution of cash dividends	Pro-forma earnings per share	
		Pro-forma average annual return on investment	

Note 1: The distribution is in accordance with the resolution passed by the Board on April 13, 2022, and calculated on the basis of 65,586,891 shares available for distribution at present; It has not yet been approved by the Annual Shareholders' Meeting in 2022.

Note 2: The Company did not publish the 2022 financial forecasts, so it is not required to disclose the information.

(VIII) Remuneration Paid to Employees and Directors and Supervisors

1. Percentage or Range of Remuneration Paid to Employees and Directors and Supervisors as Set Forth in the Company's Articles of Incorporation:
   The Company's Articles of Incorporation specify the following:
   If the Company makes a profit in the year, at least 3% of the profit shall be allocated for employee compensations and no more than 3 % shall be allocated for compensations of the Directors. However, the Company shall reserve a portion of profit to make up for accumulated losses (including adjusted unallocated earnings from previous years), if any.
   The Board of Directors shall issue the employee compensation in the preceding paragraph in the form of stocks or cash distribution, and the objects of the issuance shall include employees of the subordinate companies that meet the conditions set by the Board of Directors. The Director compensation of the preceding paragraph is only paid in cash.
   The compensation distribution of the employees and Directors shall be subject to the resolution of the Board of Directors, and shall be reported to the Shareholders' Meeting.
2. Accounting Treatments when Differences Occur between Estimated and Actual Distributed Amount of Employee, Director, and Supervisor Compensation:
   The annual amount of employee remuneration and director remuneration is calculated and estimated based on the profit (after offsetting accumulated losses) made for the year and the percentage set forth in the Articles of Incorporation. The discrepancy between the amount approved by the Board of Directors and the estimate, if any, shall be accounted for as changes in the accounting estimate and recognized as profit or loss for the year of approval by the Board of Directors.

3. Distribution of Remuneration Approved by the Board of Directors

(1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors; If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

(A) The proposal for the distribution of 2021 employee and director remuneration (approved by the Board of Directors on March 30, 2022):

(a) Employee remuneration: NT$31,924,527 (in the form of cash).

(b) Director remuneration: NT$10,641,509 (in the form of cash).

(B) If there is a difference in actual distributed amount to employees and directors and estimated expense for 2021, the difference of the value as well as reason for deviation and accounting treatment shall be disclosed: None.

There is no difference between the estimated and actual distributed amount in the 2021 employee and director remuneration.

(2) Employee remuneration to be distributed in the form of stock and its percentage of the sum of income tax after and total employee remuneration: N/A.

4. Actual Distribution of Employee Remuneration and Director Remuneration for the Previous Year (including Number of Shares, Amount, and Share Price), and the Amount, Cause, and Treatment of Discrepancy with the Estimate

(1) The proposal for the 2020 employee compensation and Directors remuneration distribution (approved by the BOD on March 12, 2021)

(A) Employee remuneration: NT$2,939,216 (in the form of cash).

(B) Director remuneration: NT$979,739 (in the form of cash).

(2) Any discrepancy between the actual amount of employee remuneration and director remuneration for 2017 to be distributed and the estimate (including the amount, cause, and treatment of such discrepancy)

The discrepancy totaled NT$11,222 and NT$3,741 of actual distributed amount of employees and directors for 2020, respectively, mainly due to the changes in the accounting estimate. The discrepancy has been recognized as profit or loss in 2021.

(IX) Repurchase of the Company's Shares: None.

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Global Depository Receipts: None.

V. Employee Stock Options: None.

VI. Employee Restricted Stock: None.

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

VIII. Financing Plans and Implementation:

Chapter 5 Operating Highlights

I. Business Activities

(I) Scope of business

1. Primary operating scope of the Company

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

2. Proportion of primary operations

Unit: Thousand NT$

Product	2021	
	Net operating revenue	%
Sale of goods revenue	142,387	25.45
Rendering of service revenue	417,019	74.55
Total	559,406	100.00

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

(II) Industry overview

1. Current state and development of the industry

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

   (1) Arcade game

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

(2) TV/Console game

TV/Console game primarily makes use of the TV screen for the game, which is highly popular due to the popularity of TVs. As TV game development shall be based on the platform specification of the hardware companies, the Company is required to pay royalties to hardware platform companies. Therefore, current TV games across the globe are mainly led by large companies in the US and Japan, such as Switch by Nintendo, PS4 and PS5 by Sony, and Xbox Series X/S by Microsoft, etc.

(3) PC game

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

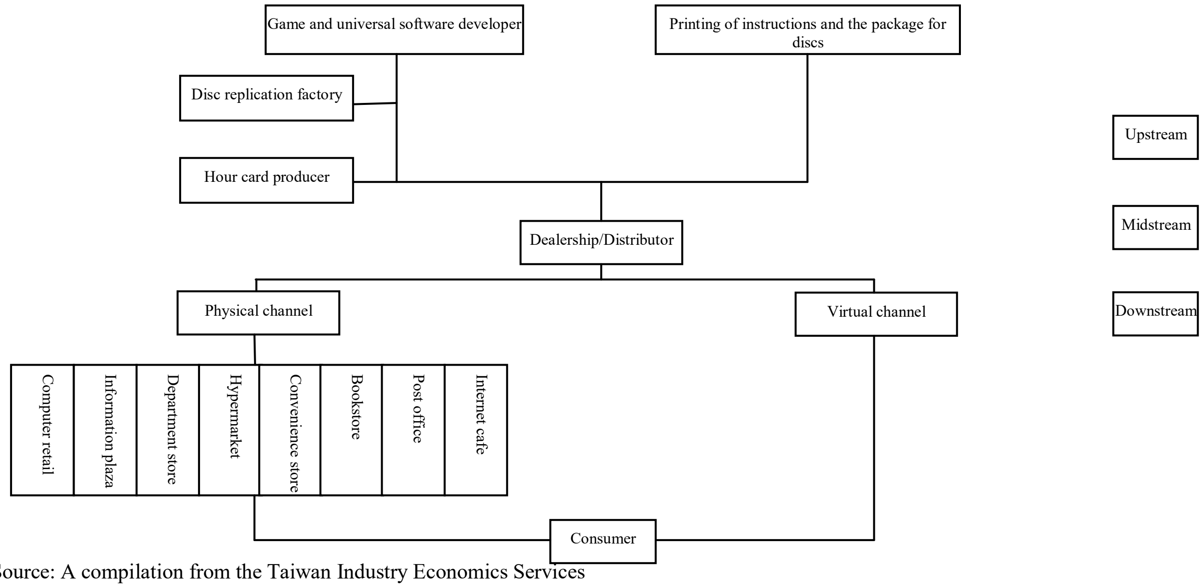
The growth of market scale for single player game software worldwide is limited, primarily due to the rampant software piracy, plus the diversification of game platform due to advanced technologies; the emergence of online games gave rise to the most direct substitution effect. Except for adopting the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

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

(4) Mobile game

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

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



Source: A compilation from the Taiwan Industry Economics Services

3. Development trend and competition of products

1) Product development trend

A. Product development is directed to diverse platforms

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

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

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

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

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

D. Free games have become the market mainstream

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

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

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

2) Competition

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

(III) Technology and R&D overview

The Company invested R&D expenses of NT$135,611,000 in total in 2021.

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

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

(IV) Short/long-term business development plans

(1) Short-term plans

1) Fully exert the function of human resources allocation under the R&D department to increase the product lines for all platforms and accelerate the product development schedules.
2) The Company actively expands the licensing for peripherals, such as movies, stage drama, TV series, novels, and album with the optimized timing for the product launch to continue the IP fever.
3) Improve flexibility and efficiency for operations of Taiwan and overseas market by strengthening the collaboration with all channels and different industries.

(2) Long-term plans

1) Allow the game products to get closer to Mainland China and overseas markets through joint development or licensing development to reinforce the product exposure and market share.
2) Emphasize the importance of cultural creativity-related industries, and improve IP's influences and value.
3) Learn more about the operating environment and game trends in the global market and strengthen the upstream and downstream strategic cooperation in order to achieve the goal of win-win.

II. Market and Sales Overview

(I) Market analysis

1. Sales region for main products in 2021

Unit: In Thousands of New Taiwan Dollars

Regions / Product	Domestic		Overseas		Total	
	Amount	%	Amount	%	Amount	%
Sale of goods revenue	44,550	32.78	97,837	23.10	142,387	25.45
Rendering of service revenue	91,369	67.22	325,650	76.90	417,019	74.55
Total	135,919	100.00	423,487	100.00	559,406	100.00

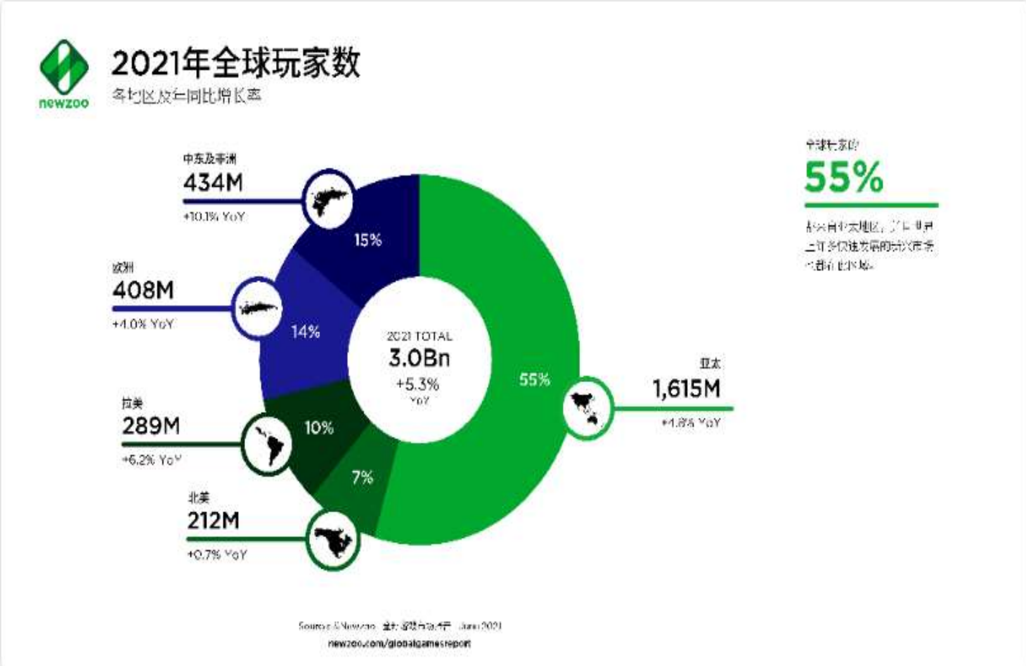
2. Market share

The company mainly researches and develops single player games, online games and mobile game products, with revenues of NT$545,369,000 and NT$559,406,000 in 2020 and 2021, respectively. With the highly mature and diversified market, the company's game development is also towards diversified development. In addition to online games and single player games, in terms of the product launch, we are more actively devoting into casual games, web games, mobile games, etc., and the company has occupied an important position in the game research and development market.

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

(1) Global game industry overview:

According to the report of Newzoo, a research company for the game market, the market scale for global games in 2021 was US$175.8 billion, with a year-on-year decrease of 1.1%. The decrease was attributable to the PC and TV/console game markets, with the annual revenue decreasing by 2.8% year-on-year to US$35.9 billion and US$49.2 billion (-8.9%), respectively. This is mainly because the post-Covid-19 effects will reshape the game market this year and in the future. Newzoo predicts that the mobile gaming market will generate US$90.7 billion in revenue in 2021, up 4.4% year-on-year. This part of the revenue will account for more than half of the total revenue of the global game market because compared with the PC and TV/console game markets, this market segment is less affected by the global Covid-19 pandemic.



As shown in the chart above, the Asia-Pacific region has the largest number of players in the world, accounting for 55% of the total number of players worldwide. Not surprisingly, the region has a roughly equal share of the global online gamer population (54%). The Asia-Pacific's high player share is largely due to China's huge population, but the region also includes emerging areas such as India and Southeast Asia. Meanwhile, the proportion of revenue from different regions is another picture. Players from the European and North American markets account for a very high proportion of total amount of consumption, accounting for more than 40% of the game market revenue. It is also worth noting that players in these two markets account for less than a quarter of the total number of global players (14% in Europe and 7% in North America) in 2021. Due to the maturity of Western markets, it is extremely challenging for game publishers to achieve revenue growth in these regions. This sort of revenue saturation is the reason why many established European and North American game companies are increasingly focusing on the Middle East & Africa and Latin American markets.

In 2021, more than 90% of game players in the world are mobile players, due to the demand and love of mobile games in the Asia-Pacific market, as well as the accessibility and ubiquity of this market segment in various regions of the world. This year, 2.8 billion of the world's 3 billion gamers will play games on their mobile devices. In comparison, there are 1.4 billion and 900 million players of PC and TV/console games, respectively.

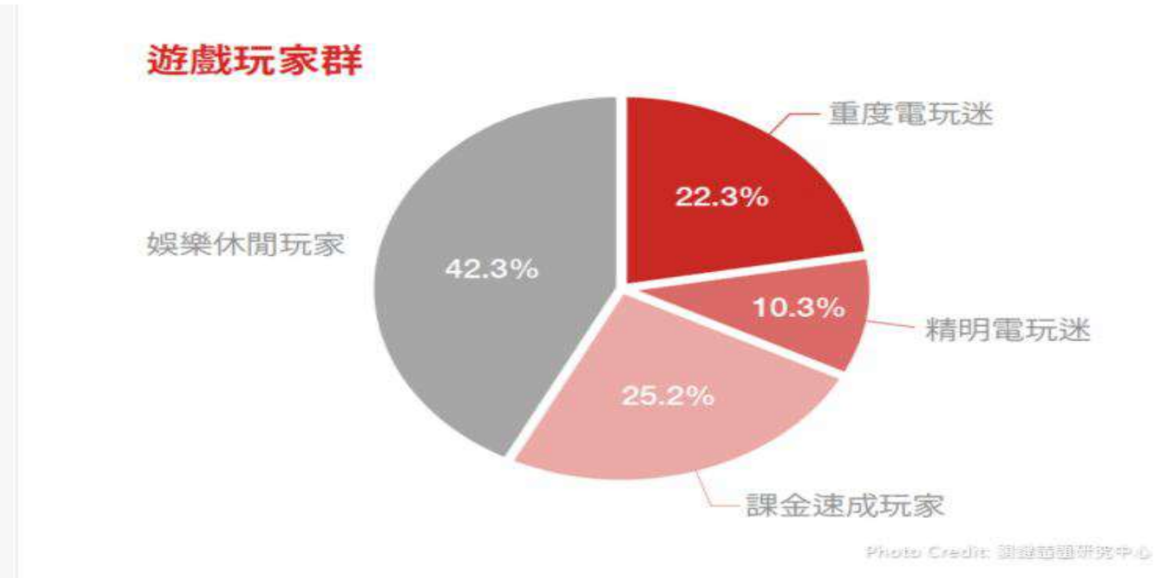
The player growth rate from 2020 to 2021 has already been impressive (+5.4%), and players who started playing games during the global outbreak of Covid-19 continue to spend on gaming products and maintain gaming as a form of leisure and entertainment. There is no doubt that more players will cross into the game market in the future.

Given the development of the cloud gaming market and 5G technology in 2021, when talking about the biggest development in the game market of the year, we have to mention cloud gaming. This year, a lot of innovation has been carried out in the cloud gaming market, and it has also been recognized by more and more players. The cloud gaming market generated more than twice as much revenue in 2021 as it had done in 2020, and the market even shows greater growth potential in the future.

(2) Taiwan's game industry overview:

Affected by the Covid-19 pandemic, the information and communication technology industry has clearly benefited from the quarantine period of at least two weeks when people enter and leave the country, and that social distancing has become the norm. As the duration of everyone being unable to move around at will extends and is more likely to stay at home, entertainment is not only more important, but the discussion shall focus on how to capture the people's scarce and precious attention, attract more people to start playing video games, and make profits from persuading consumers to pay more when playing games. Furthermore, we shall be looking to cultivate long-term consumption habits of gamers; for the gaming industry, this is definitely a critical period for expanding and deepening the customer base.

As the pandemic has brought new opportunities for the video game industry, in Taiwan, TNLResearch, together with InsightXplorer Limited, conducted a survey on Taiwanese people aged 16 to 50. This survey established four basic types of player groups, including hardcore + savvy, top-up, and entertainment, mainly high, medium and light players in terms of engagement, which currently account for 33%, 25%, and 42% of all players, respectively.



Hardcore gaming fans are the core target audience of the entire gaming industry. In terms of the "length of time", they spend more than six hours a week in the game, which is significantly ahead of other groups. From a qualitative point of view, they are also the customers who is willing to pay, as they spend money to download games, and they are also willing to make purchases in the gaming process.

The survey shows that the players in this group are mainly males aged 30 to 39, and their annual household income is significantly higher than that of other gamers, and 20% of hardcore gaming fans have an annual household income of more than NT$1.4 million. They often take the initiative to keep themselves updated via multiple channels, including diligently tracking the information on the official website, joining online forums and discussing ratings, etc., in order to obtain the latest information on gaming. In addition to inevitably playing games on mobile phones or mobile devices, they also highly use computers and game consoles, with the percentage of over 90% of the former and over 80% of the latter.

This group of hardcore gaming fans does not require advertisements to be attracted, and always spend a fixed time and budget on the games every week. Therefore, being able to create multilayered and stunning visual effects, and even precise levels of difficulty and challenges, are the main reasons for this group of players to continue to invest in the games. In addition, if game companies are able to reverse the trend and create an atmosphere of nostalgia and classic in games, they may be able to particularly win over this group of players. Also, hardcore gaming fans often actively collect game-related information. If game companies can strengthen community cohesion, provide feedback and make community interaction interesting, it will definitely be a big plus for attracting hardcore gaming fans.

(3) Mainland China's game industry overview:

The "2021 China Game Industry Report" (hereinafter referred to as the "Report") was released at the 2021 China Game Industry Annual Conference (CGIAC). The report states that in 2021, the sales amount of the gaming market in China has increased by 6.4% year-on-year, and the number of game players in China has increased by 0.22% year-on-year, showing a slowdown in growth. This means that the demographic dividend of gamers in China has plateaued.

The report pointed out that in 2021, the actual sales revenue of China's gaming market is CNY 296.513 billion, an increase of CNY 17.826 billion from that in 2020, showing an annual increase of 6.40%. Although the actual sales revenue is still increasing, the growth rate decreased by nearly 15% compared with that of last year. The main reasons are that the stimulus effect of the "stay-at-home economy" under the Covid-19 pandemic last year has gradually weakened, that the number of extremely popular games this year decreased compared with that of last year, and that the cost of R&D, operation and distribution of the games continued to increase.

In terms of the number of game users, the report states that it has reach 666 million in China in 2021, an increase of 0.22% year-on-year. The analysis points out that although the growth of users was slow in the past few years, its number has still increased by tens of millions every year. Compared with the increase in 2020, the scale of number of users has not changed much this year, indicating that the growth of the gaming population has been saturated. In addition, the user scale in the second half of the year shows a downward trend compared with that of the first half of the year. This is mainly due to the implementation of new regulations to prevent minors from being addicted to gaming, which has an impact on the number of players.

It is worth noting that the growth rate of Mainland China, as the world's largest e-sports gaming market, has also slowed down. The report indicates that the revenue of the e-sports gaming market has increase from CNY 136.557 billion in 2020 to CNY 140.181 billion in 2021, an increase of a mere CNY 3.624 billion, representing an increase of 2.65% year-on-year. It is clear that the growth rate has slowed down significantly. In terms of user scale, the number of e-sports gaming players is 489 million in 2021, an increase of a mere 0.27% year-on-year.

4. The competition niches of the Company in response to the supply and demand in the future market are as follow:
   (1) Strong and stable development team
   For game software development of the Company, from the idea generation, planning, programming, art design, animation, music, sound effect, and testing, our R&D staff possess rich and matured experiences and technologies. Extensive experiences and abundant technologies of our R&D team, as well as their understanding of the market, provide endless vitality to our products.
   (2) Cumulative abundant self-owned game IP
   Through 25 years of development, the Company currently has multiple best-selling product series, including famous game brands such as Sword and Fairy Series, Xuan Yuan Sword Series, Richman Series, Empire of Angels Series, and Stardom Series, which are well-recognized by the sinophone game market.
   (3) Successfully utilize cross-field IP value
   Products of the Company have been making constant breakthroughs, our products series have expanded from the field of PC games to fields of web/SNS games, and mobiles games. The large-scale IP of Sword and Fairy have also created a precedent by way of licensing famous film companies to create large-scale drama series and gradually developed into fields of audiovisual, animation, publishing, and peripherals. The Company's adherence to self-innovation, ownership of copyright, and reusable values will be the next key to success for the digital content industry.
   (4) Develop overseas licensing and strategic cooperating plan
   Games produced by the Company have successfully being licensed in Mainland China, Taiwan, and overseas regions and will be launched into the markets one after another. In the future, the Company will keep expanding the business of licensing. Apart from product licensing, the Company will also invest IP licensing into the development of new online games and mobile games to enrich the licensing portfolio of the Company.

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

IP application and value in full.

- The flourishing development of 3C technology and internet lead to an increase of leisure concept. With an increasing scale of the player group, it allows the overall market scale of the industry to record continual growth.

(2) Unfavorable factors

- Rampant software piracy makes intellectual property right vulnerable for infringement

  Strategies:

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

- Domestic market scale is limited while the competition within the game industry remains fierce

  Strategies:

  Exert the advantage of the Company's IP in the sinophone market, carry out strategic cooperation with large companies in Mainland China with respect to product development, platform channels, and horizontal alliances, which will catch up with the market trend and timeliness and improve the competitiveness of the Company in the market.

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

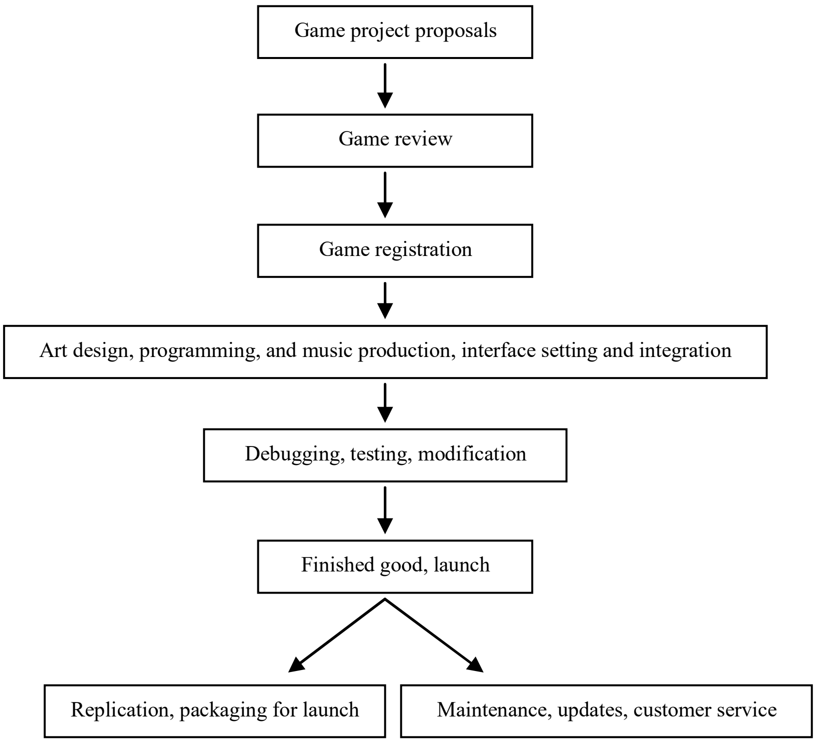
1. Major uses of the primary products

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

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

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

2. Production procedures



(III) Supply status of main materials

Does not apply to the Company.

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

1. Information of main suppliers for the past two years

Unit: In Thousands of New Taiwan Dollars

Item	2020				2021			
	Name	Amount	Percentage of the Company's total annual procurement (%)	Relationship with the issuer	Name	Amount	Percentage of the Company's total annual procurement (%)	Relationship with the issuer
1	Company C	22,323	24.82	None	Company A	33,899	21.56	None
2	Company D	15,644	17.39	None	Company B	20,106	12.79	None
3	Company E	18,831	20.94	None	Company C	5,219	3.32	None
4	-	-	-	None	Company D	4,783	3.04	None
5	-	-	-	-	Company E	978	0.62	None
	Others	33,141	36.85		Others	92,244	58.67	
	Net purchases	89,939	100.00		Net purchases	157,229	100.00	

Note: 1. Company A is a supplier of raw materials.
2. Company B is a supplier of raw materials.
3. Company C is a licensed agent of mobile game manufacturer, and the company pays the royalty of Taiwan, Hong Kong and Macau by % of its revenue every month.
4. Company D is a licensed agent of mobile game manufacturer, and the company pays the royalty of Taiwan, Hong Kong and Macau by % of its revenue every month.
5. Company E is a licensed agent of mobile game manufacturer, and the company pays the royalty of Taiwan, Hong Kong and Macau by % of its revenue every month.

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

Unit: In Thousands of New Taiwan Dollars

	2020				2021			
Item	Name	Amount	Percentage of net sales in the year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales in the year (%)	Relationship with the issuer
1	Company a	89,925	16.49%	None	Company a	22,364	4.00	None
2	Company c	58,203	10.67%	None	Company b	0	0.00	None
3	Company d	56,709	10.40%	None	Company c	56,213	10.05	None
4	Company b	3,855	0.71%	None	Company d	2,984	0.53	None
	Others	336,677	61.73%	-	Others	477,845	85.42	-
	Net sales	545,369	100.00%	-	Net sales	559,406	100.00	-

Note: 1. Company a is a game operator.
2. Company b is the customer and operator for the licensed game IP.
3. Company c is a game operator.
4. Company d is the customer and operator for the licensed game IP.

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

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

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

Unit: set; thousand NT$

Year	2020				2021			
Sales volume and value / Main products	Domestic sales		Overseas sales		Domestic sales		Overseas sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Sale of goods revenue	(6,063)	(506)	0	2,795	NA	44,550	NA	97,837
Rendering of service revenue	Note 1	67,849	Note 1	475,231	Note 1	91,369	Note 1	325,620
Total	(6,063)	67,343	0	478,026	Note 1	135,919	Note 1	423,487

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

III. Number of employees, average service life, average age and educational background distribution ratio in the most recent two years and up to the date of publication of the annual report

Unit: Person

Year		2020	2021	April 20, 2022
No. of employees	Managerial officers	9	15	16
	Management and marketing personnel	50	74	75
	R&D personnel	111	146	141
	Total	170	235	232
Average age		38.4	37.06	37.93
Average year of services		7.9	5.21	5.84
Education Education background distribution	Doctor	-	1	1
	Master	24	31	32
	College and university	129	159	156
	Senior high school	16	43	42
	Below senior high school	1	1	1

Note: The numbers at the end of 2021 and April 20, 2022 include the number of employees of Uniplus Electronics Co., Ltd.

IV. Environmental protection expenditure

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

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

V. Labor relations

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

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

   Professional program and training received by our employees for 2021 is summarized as follow:

Department of the training receiver	Name of the training program	Organizer
Research & Development Division	Come on and Play! Seminar on Lighting in Films	Play Drama Film Academy
Finance Division	Impact and Response to the Latest Tax Law Amendments on Business Operations	Securities & Futures Institute
Finance Division	Training Courses for New Accounting Supervisors	Accounting Research and Development Foundation
Finance Division	Compliance for Corporate Sustainability - Renewable Energy and Investing in Green Energy	Accounting Research and Development Foundation
Auditing Office	Case Study in Compliance and Audit for Corporate Investment and Mergers and Acquisitions	Accounting Research and Development Foundation
Finance Department	Common Errors in the Preparation of Corporate Financial Reports and Case Study of Compliance in Internal Audit and Internal Control	Accounting Research and Development Foundation
Finance Department	How to Apply Robotic Process Automation (RPA) to Improve Internal Control Efficiency	Accounting Research and Development Foundation
Finance Department	Corporate Fraud Detection and Prevention: Legal Responsibilities, Forensics, and Big Data Analysis	Accounting Research and Development Foundation
Finance Division	Using ESG to Improve Capabilities of Corporate Strategies	Accounting Research and Development Foundation
Management Department	Type A Occupational Safety and Health Operation Supervisors	China Productivity Center

3. Retire system: The Company established its Regulations for Employee Retirement based on the requirements of the Labor Standard Laws. All employees shall participate in the plan provided for the employee retirement reserve according to the prescribed ratio and deposit in a special account in the Bank of Taiwan (previously known as the Central Trust of China), which shall be supervised by the Employee Retirement Reserve Supervisory Committee comprised of employees and the employer. Since July 1, 2005, the Company has established the regulations for retirement with confirmed provisions based on the requirements under the Labor Pension Statutes. Such regulations apply to local employees, and a 6% of employee pension shall be provided per month to the personal accounts of the employees at the Bureau of Labor Insurance.

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

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

VI. Cyber security management

(I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework

(1) Enterprise information management framework

The Information Technology (IT) Department of the Company is responsible for the regulation, implementation and risk management of information security-related maintenance and protection policies. It follows internal audits and annual audits by the CPAs, and regularly evaluates the appropriateness and effectiveness of information security policies and operations, and formulates project plans to continuously strengthen the protection measures to reduce information security risks. Meanwhile, the IT Department refers to the Information Security Management System (ISMS) standard and relevant specifications to establish the standard information security management benchmark. In the spirit of PDCA, the Company continues to implement information infrastructure and information security measures to ensure the security, integrity, and availability of important company information.

The Company implements information security awareness campaign every year and regularly maintain and update system-related equipment to cultivate employees' correct concept of using legal software. The IT Department also regularly conducts information security inspections, and the inspection and confirmation results are submitted to the responsible supervisors for review, and a list is made based on the inspection results, so that the circumstances may be understood and then improvements proposed, and the follow-up improvement tracked and confirmed to ensure that relevant internal and external personnel and units abide by the Company's information security policy.

Every year, the Company inspects its information security based on the audit plan, and conducts audits on related items. The audit results are regularly reported to the Board of Directors, and also to the Chairman of the Board depending on the impact of the situation. The IT Department also continuously monitors the operation of the internal control function on a daily basis, so that when abnormalities take place, they will be identified and dealt with in the shortest time span possible.

(2) Organizational framework for information security of Softstar Entertainment Inc.

The IT Department is also a dedicated unit responsible for coordinating and implementing the Company's information security policies, aperiodically publicizing messages concerning information security, and cultivating employees' awareness of information security. The department also aperiodically confirms the internal audit results one by one and submits security questionnaire reports, and evaluate the effectiveness of the Company's internal information operation control in order to ensure the security, integrity, and availability of information.

2. Cyber security policies

(1) Enterprise information security management strategies and specific management plans

The Company promotes the following management plans in order to reduce the information security risks it faces. Through regulations, efforts are made to improve information technology and security, improve employee efficiency at work, and protect the relevant rights and interests of all investors.

A. Respect intellectual property rights

The use of the Company's network resources and information assets requires employees to respect intellectual property rights, and strive to avoid behaviors that may involve infringement of intellectual property rights. Employees are required not to use illegal computer software, and regular internal inspections are conducted to check whether there is inappropriate software or equipment being installed.

B. Information system access control

Application of data modification: Applicants must fill in the application form and obtain the approval of their supervisors. The system modification must be approved by the supervisor of authority and the head of the IT Department before it can be implemented so as to reduce the risk of unauthorized modification of data.

Application for permission to use: Users are granted access to related functions based on their authorizations obtained. Non-related users have no right to use the system that is not related to their job duties.

C. Security control of accounts and passwords
Accounts: If they have left the posts or transferred to another position, the designated account and password of each employee will be deactivated or updated immediately, and the said account will be removed from the group it is currently in.
Passwords: The Company requires employees to use complex passwords and update them regularly to reduce risk.

D. External threat management
The Company regularly updates software and hardware systems to block and prevent security loopholes. It also regularly updates and scans anti-virus software to prevent spam and strengthen anti-mail virus intrusion. The Company regularly reviews the appropriateness and necessity of opening external connections externally, and shuts down unnecessary ones.

E. Personal information protection
The Company organizes cross-departmental personal information emergency liaison team to regularly check the Company's internal personal information. In addition, the Company strengthens the access control of personal information on the system and hides unnecessary fields.

F. Cyber security audit
Regular internal information audits and one external information audit are conducted every year, and the audit results are reviewed accordingly and improvements are made.

G. Specific information security measures
Antivirus software and firewall protection, internal and external network control, storage media control, e-mail security protection, website protection mechanism, data backup implementation, information communication security promotion, regular update of software and hardware, and regular equipment inspection records.

H. Security control of the computer facilities and vital areas, personnel entry and exit control, environmental maintenance (such as temperature and humidity control notification), setting up of automatic fire protection devices and other items are established and appropriate management measures are set up.

I. The Company regularly browses messages being shared on information security and has become members of several organizations to obtain early warning information, information security threat and vulnerability announcements. These organizations include Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC), etc.

J. Safety control procedures concerning the recycling, reuse and elimination of cyber equipment are set up to ensure that sensitive data is deleted and unable to be restored. Watermarks are added into all internal documents of the Company. The

Company regularly asks the vendors to take pictures to prove that the Company's internal documents, paper, and all storage media are destroyed to the point that it is impossble for them to be recovered.

K. Off-site backup is set up and fully implemented, and whether there is any abnormal backup status or not is observed every day; anti-ransomware backup software is used for backup.

L. Management procedures are set up for employee onboarding, in-service and resignation, and all employess must sign a confidentiality agreement which clearly regulate confidentiality matters.

(2) Enterprise information security risk management and continuous improvement framework

The goal of information security is, "Information Security, Everyone's Responsibility". Enterprise information security releases aperiodical messages concerning information security so that all positions within the organization will become aware in information security and effectively implement information security protection, in order to establish a safe environment in terms of information usage. Through auditing and implementing software authorization usage, the Company is able to prevent users from installing illegal software in which harmful programs have been installed. The affiliated companies of the group are required to report the current authorized usage status, and they also required to aperiodically report the current information security status. The Company reviews the applicability and protection measures of information security policies based on the management cycle mechanism of Plan-Do-Check-Act (PDCA). The Company also plans and implements aperiodic emergency response drills every year, trains employees to respond to corresponding emergency responses, conducts drills on real machine and ojbects, reviews and improves on the errors, and enhances the resilience of employees.

(3) Resources invested in cyber security management

The Company has formulated and announced a number of internal information security standards and systems to regulate the security behaviors of internal personnel concerning the use of information, and aperiodically, checks whether the relevant systems are in line with the current situation and changes in circumstances, and adjust them in a timely manner. The Company performs annual internal external audits for information security. Based on the audit results, relevant information security planning will be improved.

(4) Future goal of cyber security management

The information security personnel will be established by 2023 in accordance with the law in order to strengthen the Company's information security environment.

(II) List any losses suffered by the company in the most recent fiscal year and up to the

annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.
None.

VII. Important contract

Nature	Parties	Term	Major content	Restrictive clauses
Copyright licensing contract of games	Company A	2020.5.29~2025.5.28	Authorized R&D and operation of Sword and Fairy MMORPG (global)	None
Licensing agreement	Company B	January 24, 2017- 2 years after launch (Launched in October 2019)	Xuan Yuan Sword: Dragon Dances in Clouds and Mountains (Mobile)	None
Copyright licensing contract of games	Company C	September 16, 2019 - 3 years after launch (Launched in April 2020)	Authorized R&D and operation of Source of Sword and Fairy MMORPG (global, excluding Taiwan, Hong Kong, Macau)	None
Authorized sales agreement	Company D	2020.8.31~2026.8.30	Authorized recomposition of TV play of Sword and Fairy V (global)	None
Cooperation development licensing and issuance agreement	Company E	2019.9.9-2022.9.8	Authorized R&D of Sword and Fairy H5 game	None
Share sale and purchase agreement	Company F	Signed on August 5, 2021	Sale of BC - GoldenSoft equity	None
Share sale and purchase agreement	Company F	Signed on August 5, 2021	Sale of ML - Sword and Fairy IP in China transferred	None

Chapter 6 Financial Information

I. Five-Year Financial Summary

(I) 1. Condensed Consolidated Balance Sheet - IFRS(s)

Unit: In Thousands of New Taiwan Dollars

Item \ Year		Financial data for the past five years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		502,389	602,860	418,699	488,516	2,193,125
Property, plant and equipment (Note 2)		33,096	23,423	12,070	8,147	9,766
Intangible assets		18,569	12,586	8,412	5,229	136,751
Other assets (Note 2)		337,143	444,290	799,760	715,205	668,020
Total Assets		891,197	1,083,159	1,238,941	1,217,097	3,007,662
Current liabilities	Before distribution	343,341	410,839	341,474	239,595	687,612
	After distribution	Note 3	Note 3	351,332	243,514	Note 4
Noncurrent liabilities		55,167	185,834	92,527	104,614	181,264
Total Liabilities	Before distribution	398,508	596,673	434,001	344,209	868,876
	After distribution	Note 3	Note 3	443,859	348,128	Note 4
Total equity attributable to the parent company		491,504	486,370	804,897	872,674	1,666,486
Common stock		478,313	477,945	492,945	630,643	655,869
Additional paid-in capital		25,174	179,197	162,992	112,360	112,491
Retained earnings	Before distribution	17,573	144,139	469,543	427,296	1,146,069
	After distribution	Note 3	Note 3	370,966	423,377	Note 4
Other equity		(29,556)	(314,911)	(320,583)	(297,625)	(247,943)
Treasury stock		-	-	-	-	-
Non-controlling interests		1,185	116	43	214	472,300
Total equity	Before distribution	492,689	486,486	804,940	872,888	2,138,786
	After distribution	Note 3	Note 3	795,082	868,969	Note 4

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

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

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

Note 2: As of December 31, 2021, no asset revaluation was performed by the Company.

Note 3: Not yet distributed.

Note 4: On April 13, 2022, the Board meeting resolved the 2021 earnings distribution proposal. The proposal has not yet been submitted to the shareholders' meeting as of the printing date of the annual report, so the amount after distribution is not shown in the statement.

2. Condensed Consolidated Balance Sheet - Taiwan's Enterprise Accounting Standards

The Company has been adopting IFRS for the past five years (2017-2021); therefore, the information disclosure is not applicable.

3. Condensed Parent Company Only Balance Sheet - IFRS(s)

Unit: In Thousands of New Taiwan Dollars

Item \ Year		Financial data for the past five years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		294,585	371,972	374,963	437,177	901,514
Property, plant and equipment (Note 2)		16,671	14,271	10,396	7,465	4,429
Intangible assets		13,971	6,302	10,230	2,141	1,257
Other assets (Note 2)		430,010	369,302	804,250	728,839	1,423,681
Total Assets		755,237	761,847	1,199,839	1,175,622	2,330,881
Current liabilities	Before distribution	204,658	194,375	302,815	207,629	527,766
	After distribution	Note 3	Note 3	312,673	211,548	Note 4
Noncurrent liabilities		59,075	81,102	92,127	95,319	136,629
Total Liabilities	Before distribution	263,733	275,477	394,942	302,948	664,395
	After distribution	Note 3	Note 3	404,800	306,867	Note 4
Common stock		478,313	477,945	492,945	630,643	655,869
Additional paid-in capital		25,174	179,197	162,992	112,360	112,491
Retained earnings	Before distribution	17,573	144,139	469,543	427,296	1,146,069
	After distribution	Note 3	Note 3	370,966	423,377	Note 4
Other equity		(29,556)	(314,911)	(320,583)	(297,625)	(247,943)
Treasury stock		-	-	-	-	-
Total equity	Before distribution	491,504	486,370	804,897	872,674	1,666,486
	After distribution	Note 3	Note 3	795,039	868,755	Note 4

Note 1: IFRS was adopted for the above financial information for the past five years, and the financial information has been audited and certified by CPA.

Note 2: As of December 31, 2021, no asset revaluation was performed by the Company.

Note 3: Not yet distributed.

Note 4: On April 13, 2022, the Board meeting resolved the 2021 earnings distribution proposal. The proposal has not yet been submitted to the shareholders' meeting as of the printing date of the annual report, so the amount after distribution is not shown in the statement.

4. Condensed Parent Company Only Balance Sheet - Taiwan's Enterprise Accounting Standards

The Company has been adopting IFRS for the past five years (2017-2021); therefore, the information disclosure is not applicable.

(II) 1. Condensed Consolidated Statement of Comprehensive Income - IFRS(s)

Unit: In Thousands of New Taiwan Dollars

Year / Item	Financial data for the past five years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenue	789,128	855,738	565,818	545,369	559,406
Gross profit (loss)	665,389	774,228	474,816	455,430	402,177
Operating income (loss)	36,533	146,456	(217,580)	138,104	23,448
Non-operating income and expenses	(11,416)	(7,894)	553,447	(44,337)	1,029,043
Pre-tax net profits	25,117	138,562	335,867	93,767	1,052,491
Net income from continuing operations	9,528	85,427	323,817	56,412	749,628
Loss on discontinuing operations	-	-	-	-	-
Net income (loss)	9,528	85,427	323,817	56,412	749,628
Other comprehensive income (net, after tax)	(25,052)	(91,107)	(124,032)	(9,225)	45,420
Total comprehensive income (loss)	(15,524)	(5,680)	199,785	47,187	795,048
Net income (loss) attributable to stockholders of the parent	18,244	87,823	326,039	56,896	743,583
Net income (loss) attributable to non-controlling interests	(8,716)	(2,396)	(2,222)	(484)	6,045
Comprehensive income (loss) attributable to stockholders of the parent	(6,808)	(3,284)	202,007	47,671	788,943
Comprehensive income (loss) attributable to non-controlling interests	(8,716)	(2,396)	(2,222)	(484)	6,105
Earnings per share (NT$)	0.38	1.84	5.26	0.88	11.36

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

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

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

2: As of December 31, 2021, no asset revaluation was performed by the Company.

2. Condensed Consolidated Statement of Comprehensive Income - Taiwan's Enterprise Accounting Standards

The Company has been adopting IFRS for the past five years (2017-2021); therefore, the information disclosure is not applicable.

3. Condensed Parent Company Only Statement of Comprehensive Income - IFRS(s)

Unit: In Thousands of New Taiwan Dollars

Item \ Year	Financial data for the past five years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenue	353,406	547,106	377,307	428,552	366,290
Gross profit (loss)	257,695	507,639	234,419	366,598	323,686
Operating income (loss)	67,925	198,650	(251,105)	137,438	41,908
Non-operating income and expenses	(34,957)	(74,835)	571,108	(43,369)	979,677
Pre-tax net profits	32,968	123,815	320,003	94,069	1,021,585
Net income (loss)	18,244	87,823	326,039	56,896	743,583
Other comprehensive income (net, after tax)	(25,052)	(91,107)	(124,032)	(9,225)	45,360
Total comprehensive income (loss)	(6,808)	(3,284)	202,007	47,671	788,943
Earnings per share (NT$)	0.38	1.84	5.26	0.88	11.36

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

4. Condensed Parent Company Only Statement of Comprehensive Income - Taiwan's Enterprise Accounting Standards

The Company has been adopting IFRS for the past five years (2017-2021); therefore, the information disclosure is not applicable.

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

Year	CPA	Audit opinion
106	YU, CHIEN-JU, YANG, CHIH-HUEI	Unqualified opinion
107	YU, CHIEN-JU, YANG, CHIH-HUEI	Unqualified opinion with emphasis of matter paragraph
108	YU, CHIEN-JU, YANG, CHIH-HUEI	Unqualified opinion with emphasis of matter paragraph
109	YU, CHIEN-JU, YANG, CHIH-HUEI	Unqualified opinion
110	YU, CHIEN-JU, YANG, CHIH-HUEI	Unqualified opinion with other matter paragraph

II. Five-Year Financial Analysis

(I) Financial Analysis - IFRSs

Analysis Item (Note 3) / Year		Financial information for the past 5 years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Liabilities to assets ratio	44.72	55.09	35.03	28.28	28.89
	Ratio of long-term capital to property, plant and equipment	1,651.77	2,869.85	7,435.16	11,995.68	18,920.23
Solvency %	Current ratio	146.32	146.74	122.62	203.89	318.95
	Quick ratio	106.67	100.76	105.28	184.91	283.55
	Interest coverage ratio	16.80	83.77	60.46	35.27	272.47
Operating performance	Accounts receivable turnover rate (times)	7.07	7.49	4.12	4.16	3.70
	Average collection days	52	48	89	88	98
	Inventory turnover (times)	0.85	0.49	0.61	0.43	5.99
	Accounts payable turnover rate (times)	2.23	1.34	0.92	0.89	2.87
	Average days for sale	429	745	598	849	61
	Property, plant, and equipment turnover rate (times)	24.27	30.28	31.88	53.95	62.46
	Total assets turnover ratio (times)	0.86	0.87	0.49	0.44	0.26
Profitability	Return on assets (ROA) (%)	1.19	8.79	28.28	4.77	35.63
	Equity return ratio (%)	1.89	17.47	50.15	6.73	59.05
	Pre-tax profit to paid-in capital (%) (Note 7)	5.25	28.99	68.13	14.87	160.47
	Profit margin (%)	1.21	9.98	57.23	10.34	134
	Earnings per share (NT$)	0.38	1.84	6.77	0.88	11.36
Cash flow	Cash flow ratio (%)	(6.93)	(39.48)	4.63	40.71	54.22
	Cash flow adequacy ratio (%)	23.00	(4.33)	2.27	(1.41)	36.67
	Cash flow reinvestment ratio (%)	(9.26)	(58.50)	2.08	10.44	18.01
Leverage ratio	Operating leverage ratio	13.61	4.01	Note 2	2.42	12.40
	Financial leverage ratio	1.05	1.01	Note 2	1.02	1.20

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

1. Financial structure:
   (1) Ratio of long-term capital to property, plant and equipment: Due to the sale of Softstar Technology (Beijing)'s equity and Sword and Fairy IP in Mainland China in 2021, the net profit increased, causing the ratio to increase.
2. Solvency:
   (1) Current ratio: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021, the current assets increased.
   (2) Quick ratio: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021, the current assets increased.
   (3) Interest coverage ratio: Due to the sale of Goldensoft Technology Co., Ltd.'s equity and Sword and Fairy IP in Mainland China in 2021, the net profit increased, causing the ratio to increase.
3. Operation performance:
   (1) Inventory turnover and average days for sale: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021, the Company has been the main inventory sales entity, and its inventory turnover has been relatively better, the ratio increased in the current period.
   (2) Total assets turnover ratio (times): Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021, the current assets increased, and its growth rate was higher than that of the sales. Therefore, the turnover ratio decreased.
4. Profitability:
   Net profit for 2021 was higher than that of 2020; therefore, financial ratios were better than the previous year.
5. Cash flow:
   Cash flow ratio, cash reinvestment ratio, and cash flow adequacy ratio: Due to the increase of net cash inflow of operating activities during 2021.

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

Note 1: The financial information from 2017 to 2021 has been audited by accountants.
Note 2: Operating profit for 2019 was negative; therefore, it was excluded from the calculation.
Note 3: At the end of the statement of the annual report shall set out the calculation formula as follow:

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

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

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

after tax, the dividends of the preference shares shall be deducted from the net profit after tax; however, such adjustments are not applicable in case of losses.

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

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

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

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

(II) Financial Analysis - Taiwan's Enterprise Accounting Standards

The Company has been adopting IFRS for the past five years (2017-2021); therefore, the information disclosure is not applicable.

(III) Parent Company Only Financial Analysis - IFRS(s)

Analysis Item (Note 2) \ Year		2017	2018	2019	2020	2021
		Financial information for the past 5 years (Note 1)				
Financial structure (%)	Liabilities to assets ratio	34.92	36.16	32.92	25.77	28.50
	Ratio of long-term capital to property, plant and equipment	3,302.62	3976.40	8,628.55	12,967.09	40,711.56
Solvency %	Current ratio	143.94	191.37	123.83	210.56	170.82
	Quick ratio	106.35	130.60	107.18	194.02	164.78
	Interest coverage ratio	21.73	90.53	76.97	36.36	287.96
Operating performance	Accounts receivable turnover rate (times)	4.65	6.55	2.93	2.48	3.46
	Average collection days	78	56	125	147	105
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover rate (times)	2.09	0.74	1.54	0.62	0.92
	Average days for sale	-	-	-	-	-
	Property, plant, and equipment turnover rate (times)	19.67	35.36	30.59	47.99	61.59
	Total assets turnover ratio (times)	0.49	0.72	0.38	0.36	0.21
Profitability	Return on assets (ROA) (%)	2.69	11.72	33.58	4.97	42.57
	Equity return ratio (%)	3.62	17.96	50.50	6.78	58.57
	Ratio of income before tax to paid-in capital (%) (Note 7)	6.89	25.91	64.92	14.92	155.76
	Profit margin (%)	5.16	16.05	86.41	13.28	203
	Earnings per share (NT$)	0.38	1.84	6.77	088	11.36
Cash flow	Cash flow ratio (%)	46.91	18.27	(3.91)	39.96	62.66
	Cash flow adequacy ratio (%)	31.08	35.07	55.85	47.91	48.03
	Cash flow reinvestment ratio (%)	28.64	10.68	(1.54)	10.22	19.78
Leverage ratio	Operating leverage ratio	3.48	2.35	Note 2	2.47	6.47
	Financial leverage ratio	1.02	1.01	Note 2	1.02	1.09

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

1. Financial structure:
   Ratio of long-term capital to property, plant and equipment: Due to the sale of Softstar Technology (Beijing)'s equity and Sword and Fairy IP in Mainland China in 2021, the net profit increased, causing the ratio to increase.
2. Solvency:
   Interest coverage rate: Net profit of 2021 was higher than that of 2020, causing the financial ratios to increase.
3. Operation performance:
   (1) Accounts receivable: Due to the larger amount of payment recovered this year, the receivables turnover rate and average collection days decreased.
   (2) Payables turnover rate: Payables turnover rate increased due to sharp decrease in operating costs for 2021 with a decrease rate higher than that of accounts payable.
   (3) Property, plant, and equipment turnover rate: Due to the decrease of gross profit in this year, but its rate of decrease was lower than that of net fixed assets, the turnover rate of real estate, plant and equipment increased.
4. Profitability:
   Net profit for 2021 was higher than that of 2020; therefore, financial ratios were better than the previous year.
5. Cash flow:
   Cash flow ratio, cash reinvestment ratio, and cash flow adequacy ratio: Due to the increase of net cash inflow of operating activities during 2021.

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

Note 2: Operating profit for 2019 was negative; therefore, it was excluded from the calculation.

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

1. Financial structure
   (1) Debt-asset Ratio = Total Liabilities/Total Assets.
   (2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities)/Net Property, Plant and Equipment.

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

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

Note 5: Special attention should be paid to the following matters when measuring cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.

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

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

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

(IV) Parent Company Only Financial Analysis - Taiwan's Enterprise Accounting Standards

The Company has been adopting IFRS for the past five years (2017-2021); therefore, the information disclosure is not applicable.

III. Audit Committee's Report for the Financial Statement for the Most Recent Year

SOFTSTAR ENTERTAINMENT INC.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements (consolidated financial statements included), and proposal for allocation of earnings. The CPA firm of Ernst & Young Taiwan was retained to audit the Financial Statements (consolidated financial statements included) and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements (consolidated financial statements included), and earnings allocation proposal have been reviewed and determined to be accurate by the Audit Committee members. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely

2022 Annual Shareholders' Meeting

Convener of the Audit Committee: Hung, Pi-Lien

April 13, 2022

IV. Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report

REPRESENTATION LETTER

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

Very truly yours,

SOFTSTAR ENTERTAINMENT INC.

Chairman: Tu, Chun-Kuang

March 30, 2022

English Translation of a Report Originally Issued in Chinese

Auditor Report of Independent Auditors

To Softstar Entertainment Inc.

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition —Royalties

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

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

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

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

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

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

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

Revenue Recognition — Sales of goods

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

Our audit procedures included, but were not limited to:

1. Assessing the appropriateness of the accounting policies related to revenue recognition and testing the effectiveness of the internal control over the timing of recognizing revenue pertaining to revenue cycle;

2. Sampling and conducting test of details of transactions, including obtaining the orders or contracts from the major customers, examining the agreed terms and conditions, and determining whether the timing of revenue recognition is consistent with the timing of fulfillment of performance obligation and considerations stated in the contract;

3. Conducting substantive analytical procedures on monthly revenue from sales of goods to compare the changes with the prior period and evaluating if there is any significant and unusual differences; and

4. Performing cut-off testing around the balance sheet date, sampling and validating the reasonableness of transaction timing by reviewing the related evidences.

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

Disposal of the material assets

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

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

1. Understanding the compliance of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, Information Reporting by Companies with TPEX Listed Securities, and other related regulations on the internal approval process and publicly disclosure of material information;

2. Obtaining the relevant documents pertaining to share purchase and equity transfer agreements to examine whether the agreed terms and conditions are fulfilled and confirm the recognition of related gains and transaction costs as well as the accuracy of amounts; and

3. Obtaining and examining the remittance records and comparing the consistency with the booking records to verify the occurrence of the transactions.

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

Loss allowance for accounts receivable

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

Our audit procedures included, but were not limited to:

1. Analyzing and performing tests on the provision matrix utilized by the management for the Company and its subsidiaries, including the reasonableness of each aging interval, and sampling the original evidences of its basis to examine the accuracy;

2. Reviewing the collection of accounts receivable after the balance sheet date to evaluate the possibility of accounts receivable recovery; and

3. Conducting substantive analytical procedures to evaluate if there is any significant and unusual changes of the turnover rate between two periods.

We also considered the appropriateness of the consolidated financial statements disclosure regarding accounts receivable and related risk in Note 5 and 6.

Other matter – Reference to the reports of other independent auditors

We did not audit the financial statements of certain investments accounted for using the equity method. Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for those investee companies accounted for using equity method and information disclosed in Note 13 relating to these long-term equity investments, is based solely on the audit reports of other auditors. The balance of investments accounted for using the equity method amounted to NT$221,706 thousand, representing 7.37% of total consolidated assets as of December 31, 2021, and comprehensive loss (including share of profit or loss and share of other comprehensive income of associates and joint ventures accounted for using equity method) amounted to NT$1,876 thousand, representing 0.24% of the consolidated total comprehensive income (loss) for the year ended 31 December, 2021.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The

risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

Other Matter

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

Yu, Chien-Ju
Yang, Chih-Huei

Ernst & Young, Taiwan
March 30, 2022

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of December 31, 2021	As of December 31, 2020
Current assets			
Cash and cash equivalents	4, 6 and 12	$1,795,522	$238,201
Contract assets, current	4 and 6	-	53,217
Notes receivable, net	4 and 12	18,632	957
Accounts receivable, net	4, 6 and 12	132,439	150,476
Accounts receivable-related parties, net	4, 6, 7 and 12	299	-
Other receivables	4	2,796	189
Other receivables-related parties	4 and 7	44	5
Current income tax assets	4	8,263	556
Inventories, net	4 and 6	77,355	645
Prepayment	4, 6 and 7	39,245	30,237
Other financial assets, current	4, 8 and 12	118,530	14,033
Total current assets		2,193,125	488,516
Non-current assets			
Designated financial assets at fair value through profit or loss, non-current	4, 6, 7 and 12	55,037	-
Financial assets at fair value through other comprehensive income, non-current	4, 6 and 12	111,972	63,315
Investments accounted for using the equity method	4 and 6	333,369	542,008
Contract assets, non-current	4 and 6	35,046	25,842
Property, plant and equipment, net	4 and 6	9,766	8,147
Right-of-use assets	4, 6 and 7	80,511	29,147
Intangible assets	4 and 6	136,751	5,229
Deferred tax assets	4, 5 and 6	7,217	18,046
Other noncurrent assets		59	-
Refundable deposits	12	12,803	8,551
Prepayment for investments		-	1,296
Other financial assets, non-current	4, 8 and 12	32,006	27,000
Total non-current assets		814,537	728,581
Total assets		$3,007,662	$1,217,097

Liabilities and Equity	Notes	As of December 31, 2021	As of December 31, 2020
Current liabilities			
Contract liabilities, current	4 and 6	$130,120	$27,010
Notes payable	12	4,867	-
Accounts payable	12	30,368	74,145
Other payables	6 and 12	178,524	45,529
Other payables-related parties	7 and 12	100	-
Current income tax liabilities	4 and 6	242,657	14,779
Lease liabilities, current	4, 6, 7 and 12	22,987	11,080
Current portion of long-term borrowings	4, 6, 8 and 12	76,103	65,919
Other current liabilities		1,886	1,133
Total current liabilities		687,612	239,595
Non-current liabilities			
Contract liabilities, non-current	4 and 6	28,527	-
Long-term borrowings	4, 6, 8 and 12	74,048	65,399
Deferred tax liabilities	4 and 6	2,663	40
Lease liabilities, non-current	4, 6 and 12	58,132	17,965
Other non-current liabilities		990	313
Net defined benefit liabilities	4 and 6	16,904	20,897
Total non-current liabilities		181,264	104,614
Total liabilities		868,876	344,209
Equity attributable to the parent company	4 and 6		
Common stock		655,869	630,643
Additional paid-in capital		112,491	112,360
Retained earnings			
Legal reserve		52,755	47,123
Special reserve		291,085	281,771
Unappropriated earnings		802,229	98,402
Other components of equity		(247,943)	(297,625)
Total equity attributable to the parent company		1,666,486	872,674
Non-controlling interests		472,300	214
Total equity		2,138,786	872,888
Total liabilities and equity		$3,007,662	$1,217,097

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2021 and 2020

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

Item	Notes	For the Years Ended December 31, 2021	2020
Net sales	4, 5, 6 and 7	$559,406	$545,369
Cost of goods sold	7	(157,229)	(89,939)
Gross profit		402,177	455,430
Operating expenses	6 and 7		
Sales and marketing expenses		(111,454)	(120,585)
General and administrative expenses		(128,986)	(72,394)
Research and development expenses		(135,611)	(166,552)
Expected credit losses		(2,678)	42,205
Subtotal		(378,729)	(317,326)
Operating income		23,448	138,104
Non-operating income and expenses			
Other income	6 and 7	19,686	31,720
Other gains and losses	6	1,093,887	(2,060)
Finance costs	6	(3,877)	(2,736)
Share of profit or loss of associates and joint ventures accounted for using equity method		(80,653)	(71,261)
Subtotal		1,029,043	(44,337)
Profit before income tax		1,052,491	93,767
Income tax expense	4, 5 and 6	(302,863)	(37,355)
Net income		749,628	56,412
Other comprehensive income (loss)	4 and 6		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		2,108	89
Unrealized gains or losses from financial assets at fair value through other comprehensive loss		27,799	7,311
Remeasurements of defined benefit plans of associates and joint ventures accounted for using equity method		2	-
Financial assets at fair value through other comprehensive income of associates and joint ventures accounted for using equity method		9	-
Tax of items that may not be reclassified subsequently to profit or loss		168	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of foreign operations		15,345	(16,625)
Exchange differences resulting from translating the financial statements of foreign operations of associates and joint ventures for using equity method		(11)	-
Total other comprehensive loss, net of tax		45,420	(9,225)
Total comprehensive income		$795,048	$47,187
Net income attributable to:			
Stockholders of the parent		$743,583	$56,896
Non-controlling interests		6,045	(484)
		$749,628	$56,412
Comprehensive income (loss) attributable to:			
Stockholders of the parent		$788,943	$47,671
Non-controlling interests		6,105	(484)
		$795,048	$47,187
Earnings per share (NTD)	4 and 6		
Earnings per share-basic		$11.36	$0.88
Earnings per share-diluted		$11.28	$0.87

The accompanying notes are an integral part of the 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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings			Others Components of Equity						
Description	**Common Stock**	**Additional Paid-in Capital**	**Legal Reserve**	**Special reserve**	**Unappropriated Earnings**	**Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations**	**Unrealized Gains or Losses from Financial Assets at Fair Value Through Other Comprehensive Loss**	**Unearned Stock-Based Employee Compensation**	**Treasury Share**	**Total**	**Non-Controlling Interests**	**Total**
Balance as of January 1, 2020	$492,945	$162,992	$14,582	$129,557	$325,404	$1,280	$(283,051)	$(38,812)	$-	$804,897	$43	$804,940
Appropriation and distribution of 2019 retained earnings												
Legal reserve	-	-	32,541	-	(32,541)	-	-	-	-	-	-	-
Special reserve	-	-	-	152,214	(152,214)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(9,858)	-	-	-	-	(9,858)	-	(9,858)
Stock dividends	88,719	-	-	-	(88,719)	-	-	-	-	-	-	-
Changes in other capital surplus												
Stock dividends from additional paid-in capital	49,289	(49,289)	-	-	-	-	-	-	-	-		-
Net income (loss) in 2020	-	-	-	-	56,896	-	-	-	-	56,896	(484)	56,412
Other comprehensive income (loss) in 2020	-	-	-	-	89	(16,625)	7,311	-	-	(9,225)	-	(9,225)
Total comprehensive income (loss)	-	-	-	-	56,985	(16,625)	7,311	-	-	47,671	(484)	47,187
Repurchase of treasury share	-	-	-	-	-	-	-	-	(1,023)	(1,023)	-	(1,023)
Retirement of treasury share	(250)	(773)	-	-	-	-	-	-	1,023	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	(655)	-	-	-	-	(655)	655	-
Share-based payment transactions	(60)	(570)	-	-	-	-	-	32,272	-	31,642	-	31,642
Balance as of December 31, 2020	$630,643	$112,360	$47,123	$281,771	$98,402	$(15,345)	$(275,740)	$(6,540)	$-	$872,674	$214	$872,888
Balance as of January 1, 2021	$630,643	$112,360	$47,123	$281,771	$98,402	$(15,345)	$(275,740)	$(6,540)	$-	$872,674	$214	$872,888
Appropriation and distribution of 2020 retained earnings												
Legal reserve	-	-	5,632	-	(5,632)	-	-	-	-	-	-	-
Special reserve	-	-	-	9,314	(9,314)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(12,613)	-	-	-	-	(12,613)	-	(12,613)
Stock dividends	25,226	-	-	-	(25,226)	-	-	-	-	-	-	-
Net income (loss) in 2021	-	-	-	-	743,583	-	-	-	-	743,583	6,045	749,628
Other comprehensive income (loss) in 2021	-	-	-	-	2,218	15,334	27,808	-	-	45,360	60	45,420
Total comprehensive income (loss)	-	-	-	-	745,801	15,334	27,808	-	-	788,943	6,105	795,048
Difference between consideration and carrying amount of subsidiaries acquired	-	131	-	-	11,728	-	-	-	-	11,859	-	11,859
Acquisition of subsidiaries	-	-	-	-	(917)	-	-	-	-	(917)	465,981	465,064
Share-based payment transactions	-	-	-	-	-	-	-	6,540	-	6,540	-	6,540
Balance as of December 31, 2021	$655,869	$112,491	$52,755	$291,085	$802,229	$(11)	$(247,932)	$-	$-	$1,666,486	$472,300	$2,138,786

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended December 31,	
Description	**2021**	**2020**
Cash flows from operating activities:		
Net income before tax	$1,052,491	$93,767
Adjustments for:		
Depreciation	23,832	23,623
Amortization	5,757	15,575
Expected credit impairment losses (gains)	2,678	(42,205)
Loss on financial assets and liabilities at fair value through profit or loss	4,971	-
Interest expense	3,877	2,736
Interest income	(415)	(189)
Share-based payments expense	6,540	31,642
Share of net loss of associates and joint ventures accounted for using equity method	80,653	71,261
Loss on disposal of property, plant and equipment	3,220	128
Gain on disposal of intangible assets	-	(576)
Gain on disposal of investment	(1,123,088)	-
Impairment loss from non-financial assets	890	957
Loss on lease modification	609	25
Changes in operating assets and liabilities:		
Contract assets	40,014	(2,642)
Notes receivable, net	1,186	826
Accounts receivable, net	109,174	953
Accounts receivable-related parties, net	(299)	11
Other receivables	(1,638)	(165)
Other receivables-related parties	(39)	4,459
Inventories, net	6,572	83
Prepayment	3,931	21,632
Other current assets	107,080	-
Contract liabilities	131,637	(20,868)
Notes payable	(4,120)	-
Accounts payable	(57,603)	(17,244)
Accounts payable-related parties	-	(36,437)
Other payables	33,025	(25,258)
Other payables-related parties	-	(67)
Other current liabilities	(173)	7
Net defined benefit liabilities	(1,966)	-
Cash provided by operations	428,796	122,034
Interest received	415	189
Interest paid	(3,881)	(2,748)
Income tax paid	(52,531)	(21,946)
Net cash provided by operating activities	372,799	97,529
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(20,872)	(12)
Proceeds from disposal of financial assets at fair value through other comprehensive income	109,526	-
Acquisition of financial assets at fair value through profit or loss	(60,008)	-
Acquisition of investments accounted for using equity method	(491,811)	-
Proceeds from disposal of investments accounted for using equity method	1,840,786	-
Acquisition of subsidiaries (net of cash acquired)	(67,673)	-
Disposal of subsidiaries (net of cash acquired)	-	(1,280)
Acquisition of property, plant and equipment	(6,114)	(1,958)
Proceeds from disposal of property, plant and equipment	379	328
Decrease (increase) in refundable deposits	1,165	(552)
Acquisition of intangible assets	(3,736)	(12,448)
Proceeds from disposal of intangible assets	-	632
Decrease (increase) in other financial assets	(104,471)	(9,540)
Decrease (increase) in other noncurrent assets	1,881	-
Net cash provided/(used in) by activities	1,199,052	(24,830)
Cash flows from financing activities:		
Increase in short-term borrowings	-	30,000
Decrease in short-term borrowings	-	(30,000)
Proceeds from long-term borrowings	110,000	25,000
Repayment of long-term borrowings	(91,167)	(1,424)
Repayment of the principal portion of lease liabilities	(19,833)	(18,772)
Cash dividends	(12,613)	(9,858)
Treasury stock transactions	-	(1,023)
Changes in non-controlling interests	(917)	-
Net cash used in by financing activities	(14,530)	(6,077)
Net foreign exchange difference	-	-
Net increase in cash and cash equivalents	1,557,321	66,622
Cash and cash equivalents at beginning of year	238,201	171,579
Cash and cash equivalents at end of year	$1,795,522	$238,201

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

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

1. History and organization

Formerly known as Cyber Power Systems, Inc., Softstar Entertainment Inc. ("the Company") was incorporated in August 1998 in the Republic of China and changed its name to Softstar Entertainment Inc. the same year. The Company and its subsidiaries ("the Group") main lines of business include online games, game software, instructional software, and research, design and sales of computer peripherals. On August 8, 2001, the Company listed its shares of stock on the Taipei Stock Exchange (TPEx). The Company's registered office and the main business location is at 6F, No. 85, Section 4, Ren'ai Road, Republic of China (R.O.C.).

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

The consolidated financial statements of the Group for the years ended December 31, 2021 and 2020 were authorized for issue by the Board of Directors on March 30, 2022.

3. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2021. The nature and impact of the new standard and amendment had no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

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

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

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

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

Amendment to IFRS 9 Financial Instruments
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

Amendment to IAS 41

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

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2022 have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

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

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

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

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

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

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

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

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

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

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

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

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under except (b) IFRS 17 "Insurance Contracts", which has no material effect on the Group after the estimation, the related effects would be disclosed after the estimation.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

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

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

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

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

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

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, 2021	December 31, 2020	Note
The Company	Loftstar Interactive Entertainment Inc.	Software wholesale and software services	100	100	Note 1
The Company	Activision Entertainment Ltd.	Performing arts	100	100	Note 2
The Company	Softstar Creative Inc.	Network software development and technical services	100	100	Note 3
The Company	Kobe Co., Ltd.	Investment holdings	-	-	Note 4
The Company	Gamebase Digital Media Corporation	Software services and information processing services, etc.	100	93.85	Note 5
The Company	Softstar Animation Limited (SAL)	Investment holdings	100	-	Note 6
The Company	Time Vision International Limited (TVI)	Investment holdings	100	-	Note 7
The Company	Uniplus Electronics Co., Ltd.	Manufacture, lamination, processing, research and development, and merchandising of electronic parts/components	34.39	-	Note 8,10
The Company	New Profit Holding Limited	Investment holdings	100	-	Not e9
The Company	Jfn Investment Holding Corp	Investment holdings	100	-	Note 10
The Company	Lanjing Ltd.	Investment holdings	100	-	Note 10
The Company	Jiwei Technology Ltd.	Investment holdings	100	-	Note 10
The Company	Softstar International Inc. (SII)	Investment holdings	-	100	Note 6,7
Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	Beauty and skincare products	100	-	Note 8,11
Uniplus Electronics Co., Ltd	Hang Zheng Technology Co., Ltd.	Wholesale of electronic equipment	100	-	Note 8,12
Uniplus Electronics Co., Ltd	Jiu He Yi Technology Co., Ltd.	Wholesale of electronic equipment	100	-	Note 8,13
Uniplus Electronics Co., Ltd	JFN Investment Holding Corp	Investment	-	-	Note 10,14
Uniplus Electronics Co., Ltd	Lanjing Ltd.	Investment	-	-	Note 10,15
Uniplus Electronics Co., Ltd	Jiwei Technology Ltd.	Investment	-	-	Note 10,16
Gamebase Digital Media Corporation	Mega Media Group Limited	Investment holdings	100	-	Note 17
Softstar International Inc. (SII)	Softstar Global Inc. (SGI)	Investment holdings	-	100	Note 18
Softstar International Inc. (SII)	Softstar Animation Limited (SAL)	Investment holdings	-	100	Note 6

Note 1: Loftstar Interactive Entertainment Inc. increased its capital of NT$20,000 thousand and NT$10,000 thousand in March and June, 2021, respectively, totaling NT$30,000 thousand and 3,000 thousand shares. The newly issued shares were subscribed by the Company and the registration process was completed.

Note 2: Taipei City Government approved Softstar Agency Co., Ltd. to alter its name to Activision Entertainment Ltd. on April 16, 2021. Activision Entertainment Ltd. increased its capital of NT$5,000 thousand, totaling 500 thousand shares in April 2021. The new shares were subscribed by the Company and the registration process was completed.

Note 3: Softstar Creative Inc. was dissolved in December 2020, and the liquidation process was completed on August 17, 2021.

Note 4: Kobe Co., Ltd, was dissolved in November 2021, and is still in the liquidation process.

Note 5: Gamebase Digital Media Corporation increased its capital by NT$5,000 thousand and NT$5,000 thousand in March and December 2020, respectively, totaling NT$10,000 thousand and 1,000 thousand shares. The newly issued shares were subscribed by the Company and the registration process was completed. After the capital increase, the Company owned 93.85% shareholdings of Gamebase Digital Media Corporation. On March 30, 2021, the Company purchased 400,000 shares of Gamebase Digital Media Corporation from Cite Publishing Limited, which increased the Company's ownership from 93.5% to 100%. Gamebase Digital Media Corporation increased its capital of NT$10,000 thousand and NT$130,000 thousand in June and December 2021, respectively, totaling NT$140,000 thousand and 14,000 thousand shares. The newly issued shares were subscribed by the Company and the registration process was completed.

Note 6: Softstar Animation Limited (SAL) adjusted its organizational structure on March 19, 2021, Softstar International Inc. (SII) was restructured to be owned by the Company directly.

Note 7: On April 12, 2021, the Company restructured its organization by establishing two offshore subsidiaries, Time Vision International Limited (TVI) and Best Classic International Limited (BCI). The Company's subsidiary, Softstar International Inc. was directly held by Time Vision International Limited (TVI) and Best Classic International Limited (BCI) after re-organization. Best Classic International Limited (BCI) was sold to CMGE Technology Group Limited in December 2021.

Note 8: The Company purchased 28,323 thousand and 33,632 thousand shares of Uniplus Electronics Co., Ltd. in a private placement amounted to NT$160,000 thousand and NT$190,000 thousand, respectively, which increased the Company's ownership from 15.72% to 34.39% in consideration of business strategy. As the Company obtained the substantial controls over Uniplus Electronics Co., Ltd., it was consolidated as the Company's subsidiary from the control acquisition date.

Note 9: On October 18, 2021, the Company acquired 100% of New Profit Holding Limited's shares from Angel (USA) Investments Limited, a related party, because of business strategy.

Note 10: On November 25, 2021, the Company acquired 100% shareholdings of JFN Investment Holding Corp., Lanjing Ltd., and Jiwei Technology Ltd. from a related party, Uniplus Electronics Co., Ltd., because of business strategy.

Note 11: Green Bless Co., Ltd. increased its capital of 500 thousand shares in cash, the share capital increased to NT$25,000 thousand, and the shareholdings remained 100%.

Note 12: Uniplus Electronics Co., Ltd. established Hang Zheng Technology Co., Ltd. in

December 2019 with NT$40,000 thousand in capital. Hang Zheng Technology Co., Ltd., reduced its capital of 3,000 thousand shares, its capital changed to NT$10,000 thousand, and the shareholding remained 100%.

Note 13: Uniplus Electronics Co., Ltd. established Jiu He Yi Technology Co., Ltd. in May 2021 with NT$15,000 thousand in capital, and the shareholdings was 100%.

Note 14: Uniplus Electronics Co., Ltd. acquired 100% shareholdings of JFN Investment Holding Corp. from the third parties with NT$64,269 thousand in exchange for 12.2 thousand shares in April 2021.

Note 15: Uniplus Electronics Co., Ltd. purchased all the capital contribution amount of Lanjing Ltd. from the third parties with NT$12,808 thousand in July 2021.

Note 16: Uniplus Electronics Co., Ltd. purchased all the capital contribution amount of Jiwei Technology Ltd. from the third parties with NT$11,080 thousand in July 2021.

Note 17: Gamebase Digital Media Corporation acquired 100% shareholdings of Mega Media Group Limited from a related party, Global Angel Investment Limited, with NT$93,200 thousand in December 2021.

Note 18: Softstar Global Inc. (SGI) had applied for cancellation in October, 2020, and the procedure had been completed in November 2021.

(4) Foreign currency transactions

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

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

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

(A) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(B) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
(C) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

(A) Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(C) Derecognition of financial assets

A financial asset is derecognized when:

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

rewards of the asset, but has transferred control of the asset.

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

(D) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(E) Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

(11) Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

(12) Property, plant and equipment

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

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

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

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

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

(13) Leases

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

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

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

Group as a lessee

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

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

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

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

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 electronic products and revenue is recognized based on the consideration stated in the contract.

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

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

Rendering of services

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

(19) Borrowing Costs

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

(20) Government grants

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

(21) Post-employment benefits

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

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected

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

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

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

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

(22) Share-based payment transactions

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

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

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

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

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

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

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

(23) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

(24) Business combinations and goodwill

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

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

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

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

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

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

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

5. Significant accounting judgements, estimates and assumptions

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

(1) Judgement

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

A. Revenue recognition – royalties

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

B. Business combination

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

(2) Estimates and assumptions

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

A. Estimate of variable consideration

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

B. Accounts receivables–estimate of impairment loss

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

C. Fair value of financial instruments

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

D. Inventories

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

E. Pension benefits

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

F. Impairment of non-financial assets

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

G. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective 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 carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand & petty cash	$454	$294
Checking and saving accounts	1,795,068	237,907
Total	$1,795,522	$238,201

(2) Notes receivable

	As of December 31,	
	2021	2020
Notes receivable	$18,632	$957
Less: loss allowance	-	-
Total	$18,632	$957

Notes receivable were not pledged.

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

(3) Accounts receivable and Accounts receivable-related parties

	As of December 31,	
	2021	2020
Accounts receivable	$136,271	$152,928
Less: allowance for sales returns and discounts	(1,666)	(572)
Loss allowance	(2,166)	(1,880)
Subtotal	132,439	150,476
Accounts receivable from related parties	299	-
Total	$132,738	$150,476

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of December 31, 2021 and 2020 were NT$136,570 thousand and NT$152,928 thousand, respectively. Please refer to Note 6 (17) for more details on loss allowance of accounts receivable for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(4) Inventories, net

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

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

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

No inventories were pledged.

(5) Prepayments

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

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

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

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

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

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

A. Investment amount: NT$10,000 thousand (tax excluded: NT$9,524 thousand)
B. Contract date: May 10, 2021
C. Expiry date: Until the commercial operation of this game is ceased.
D. After the commercial operation of this game starts in any one of the licensed areas, Galaxy Power Holdings Limited shall share the profits according to the

following ways:

(a) The Group is entitled of 30% of this game's operating revenues after the deduction of channel service fees and bad debt rate.

(b) The aforementioned percentage of profit sharing percentage will be adjusted to 4% after the Group receives more than NT$10,000 thousand.

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

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

	As of December 31,	
	2021	2020
Equity instrument investments measured at fair value through other comprehensive income, noncurrent:		
Listed company stocks		
Newretail Co., Ltd.	$14,314	$13,132
Uniplus Electronics CO., LTD.(NOTE)	-	12
Emerging market stocks		
SNSplus Inc.	4,134	3,802
Private company stocks		
Auer Media & Entertainment Corp.	67,397	40,600
Taiwan Smart Card Co.	3,084	3,598
Double Edge Entertainment Corp.	3,043	2,171
Funfia Inc.	-	-
BLC Group Holding Limited	20,000	-
Boom Fintech Inc.	-	-
Total	$111,972	$63,315

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

(8) Investments accounted for using the equity method

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

	As of December 31,				
	2021		2020		
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Note
Investments in associates:					

Chander Electronics Corp.	$221,706	17.14%	$-	-%	Note 1,5
Niusnews Co., Ltd.	108,240	27.63%	-	-%	Note 2,5
A.R.T. Games Co., Ltd.	3,423	49%	1,143	49%	Note 3,5
Chia-e International Inc.	-	28.21%	-	28.21%	Note 5
Softstar Technology (Beijing) Co., Ltd.	-	-%	540,865	49%	Note 4
Total	$333,369		$542,008		

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

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

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

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

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

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

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

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

The summarized financial information of the associate is as follows:

	As of December 31, 2020
Current assets	$851,552
Non-current assets	225,425
Current liabilities	(306,227)
Non-current liabilities	-
Equity	770,750
Property of the Group's ownership	49%
Subtotal	377,667
Intangible assets	142,936
Goodwill	20,262
Other	-
Carrying amount of the investment	$540,865

	For the year ended December 31, 2020
Operating revenue	$25,741
Profit or loss from continuing operations	(107,174)
Other comprehensive income	-
Total comprehensive income	$107,174

Note 5: Investments in associates

The Group's investments in Chander Electronics Corp., A.R.T. Games Co., Ltd., Chia-e International Inc., and Niusnews Co., Ltd. are not individually material. The aggregate carrying amount of the Group's interests in Chander Electronics Corp., Chia-e International Inc., A.R.T. Games Co., Ltd., and Niusnews Co., Ltd. is NT$333,369 thousand and NT$1,143 thousand, as of December 31, 2021 and 2020, respectively. The aggregate financial information is as follows:

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

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

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

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

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

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

(9) Property, plant and equipment

	As of December 31,	
	2021	2020
Owner occupied property, plant and equipment	$9,766	$8,147

	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
Cost:						
As of January 1, 2021	$9,970	$16,030	$-	$-	$13,929	$39,929
Additions	151	1,214	-	1,935	2,814	6,114
Disposals	-	(1,403)	-	(22,356)	(13,929)	(37,688)
Transfers	(4,010)	4,010	-	250	-	250
Acquisition of subsidiaries	91,192	38	1,847	46,576	-	139,653
As of December 31, 2021	$97,303	$19,889	$1,847	$26,405	$2,814	$148,258
As of January 1, 2020	$9,936	$15,881	$-	$-	$17,782	$43,599
Additions	438	1,520	-	-	-	1,958
Disposals	-	(924)	-	-	(4,085)	(5,009)
Transfers	(404)	(447)	-	-	232	(619)
As of December 31, 2020	$9,970	$16,030	$-	$-	$13,929	$39,929

Depreciation and impairment:						
As of January 1, 2021	$7,643	$13,537	$-	$-	$10,602	$31,782
Depreciation	993	1,760	117	1,365	926	5,161
Disposals	-	(1,131)	-	(22,356)	(10,602)	(34,089)
Transfers	(3,262)	3,262	-	-	-	-
Acquisition of subsidiaries	91,115	24	154	44,345	-	135,638
As of December 31, 2021	$96,489	$17,452	$271	$23,354	$926	$138,492
As of January 1, 2020	$6,443	$12,984	$-	$-	$12,102	$31,529
Depreciation	1,620	1,558	-	-	2,247	5,425
Disposals	-	(574)	-	-	(3,979)	(4,553)
Transfers	(420)	(431)	-	-	232	(619)
As of December 31, 2020	$7,643	$13,537	$-	$-	$10,602	$31,782
Net carrying amounts as of:						
December 31, 2021	$814	$2,437	$1,576	$3,051	$1,888	$9,766
December 31, 2020	$2,327	$2,493	$-	$-	$3,327	$8,147

Property, plant and equipment were not pledged.

(10) Intangible assets

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

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

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

(11) Other payables

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

(12) Long-term borrowings

Details of long-term loans are as follows:

Lenders	As of December 31, 2021	Interest Rate (%)	Maturity date and terms of repayment
Taiwan Business Bank secured loan	$1,000	1.95%	Repayable quarterly from March 16, 2017 to March 16, 2022. Interest paid monthly.
The Shanghai Commercial & Savings Bank secured loan	22,666	1.98%	Repayable monthly from March 8, 2021 to March 8, 2024. Interest paid monthly.
Cathy United Bank secured loan	23,848	1.95%	Repayable monthly from July 30, 2021 to July 30, 2023. Interest paid monthly.
Bank of Panhsin secured loan	43,238	2.02%	Repayable monthly from July 26, 2021 to July 26, 2024. Interest paid monthly.

Hua Nan Bank secured loan	3,333	2.02%	Repayable monthly from August 5, 2019 to August 5, 2022. Interest paid monthly.
Chang Hwa Bank secured loan	5,000	2.01%	Repayable quarterly from September 20, 2019 to September 20, 2022. Interest paid monthly.
First Bank unsecured loan	12,689	2.02%	Repayable monthly from June 12, 2020 to June 12, 2023. Interest paid monthly.
Shin Kong Bank secured loan	10,100	1.99%	Repayable monthly from December 19, 2020 to December 19, 2022. Interest paid monthly.
Taiwan Cooperative Bank secured loan	28,277	2.00%	Repayable monthly from December 24, 2020 to December 24, 2025. Interest paid monthly.
Subtotal	150,151		
Less: current portion	(76,103)		
Total	$74,048		

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		

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

(13) Post-employment benefits

Defined contribution plan

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

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

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the regulations for revenues, expenditures, safeguard and utilization of the labor retirement fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$536 thousand to its defined benefit plan during the 12 months after December 31, 2021.

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

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

	For the years ended December 31,	
	2021	2020
Current period service costs	$213	$342
Interest income or expense	51	147
Total	$264	$489

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

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Present value of the pension obligation under defined benefit pension plans	$30,348	$32,946	$37,189
Fair value of plan assets	(13,444)	(12,049)	(16,203)
Net defined benefit liabilities, noncurrent	$16,904	$20,897	$20,986

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

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability /(asset)
As of January 1, 2020	$37,189	$(16,203)	$20,986
Current period service costs	342	-	342
Net interest expense (income)	260	(113)	147
Subtotal	602	(113)	489
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	1,056	-	1,056
Experience adjustments	(593)	(552)	(1,145)
Subtotal	463	(552)	(89)
Payments from the plan	(5,308)	5,308	-
Contributions by employer	-	(489)	(489)
As of December 31, 2020	32,946	(12,049)	20,897
Current period service costs	213	-	213
Net interest expense (income)	239	(188)	51
Subtotal	452	(188)	264
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in population assumptions	27	-	27
Actuarial gains and losses arising from changes in financial assumptions	(918)	-	(918)
Experience adjustments	(945)	(177)	(1,122)
Remeasurements of the defined benefit asset	-	(95)	(95)

Subtotal	(1,836)	(272)	(2,108)
Payments from the plan	(5,473)	5,473	-
Contributions by employer	-	(461)	(461)
Acquisition of subsidiaries	4,259	(5,947)	(1,688)
As of December 31, 2021	$30,348	$(13,444)	$16,904

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

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

Sensitivity analysis:

	2021		2020	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	$-	$(733)	$-	$(917)
Discount rate decrease by 0.25%	759	-	950	-
Future salary increase by 0.25%	850	-	850	-
Future salary decrease by 0.25%	-	(813)	-	(826)

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

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

(14) Equities

(A) Common stock

The Company’s authorized capital were both NT$1,300,000 thousand, and issued capital were NT$655,869 thousand and NT$630,643 thousand with 65,587 thousand shares and 63,064 thousand shares as of December 31, 2021 and 2020, respectively, each at a par value of NT$10. Each share has one voting right and a right to receive dividends.

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

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

For the years ended December 31, 2021 and 2020, the Company redeemed and cancelled 6 thousand shares and 0 thousand shares of issued restricted stocks for employees, respectively, and the registration was completed on March 20, 2020.

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

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

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

(B) Capital surplus

	As of December 31,	
	2021	2020
Additional Paid-in Capital	$112,360	$69,895
Difference between consideration and carrying amount of subsidiaries acquired	131	-
Restricted employee stock	-	42,465
Total	$112,491	$112,360

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 was 84.7822 shares for every thousand shares.

(C) Treasury Stocks

On March 23, 2020, the Board of Directors meeting resolved to repurchase treasury stocks. It was expected to buy 600,000 shares between March 24, 2020 to May 22, 2020 in the price between NT$31 and NT$100 per share. As of May 22, 2021, the Company has bought back 25 thousand shares in the amount of NT$1,023 thousand.

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

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

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

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

(E) Non-controlling interests

	For the years ended

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

(15) Share-based payment plans

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

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

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

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

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

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

	As of December 31,	
	2021	2020

	Numbers (thousand shares)	Numbers (thousand shares)
As of January 1	447	900
Issued	-	-
Cancelled	-	(6)
Less：vested	(447)	(447)
As of December 31	-	447

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

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

(16) Operating revenue

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

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

(A) Disaggregation of revenue

For the year ended December 31, 2021

	Operating Department	Research and Development	Electronic Products	Beauty Products	Total

		Department	Department	Department	
Sale of goods	$15,163	$-	$121,087	$6,137	$142,387
Rendering of services	104,222	312,797	-	-	417,019
Total	$119,385	$312,797	$121,087	$6,137	$559,406
Timing of revenue recognition:					
At a point in time	$20,750	$136,310	$121,087	$6,137	$284,284
Over time	98,635	176,487	-	-	275,122
Total	$119,385	$312,797	$121,087	$6,137	$559,406

For the year ended December 31, 2020

	Operating Department	Research and Development Department	Electronic Products Department	Beauty Products Department	Total
Sale of goods	$2,289	$-	$-	$-	$2,289
Rendering of services	174,720	368,360	-	-	543,080
Total	$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

(B) Contract balances

Net contract assets (liabilities) are as follows:

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

Contract assets decreased by NT$44,013 thousand from December 31, 2020 to December 31, 2021, mainly due to multiple contracts for film and television licensing in 2020 were entitled to the right to receive payment in current period, and NT$15,773 thousand are classified to contract assets, non-current due to contract terms are more than one year.

Contract liabilities increased by NT$131,637 thousand from December 31, 2020 to December 31, 2021 was mainly due to advance payment of profit sharing and licensing contract received in current period amounting to NT$134,821,and some contracts are classified as contract liability, non-current as the predicted project launch will be more than one year later.

(C) Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT$158,647 thousand as of December 31, 2021. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one to three years.

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT$27,010 thousand as of December 31, 2020. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

(17) Expected credit losses/ (gains)

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

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 assessments of the Group's loss allowance are as follows:

(A) the gross carrying amount of contract assets are NT$35,046 thousand and NT$79,059 thousand as of December 31, 2021 and 2020, respectively. The loss allowance amounts to NT$0 where an expected credit loss ratio of 0% is used.

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

As of December 31, 2021

Group 1

	Not yet due (Note)	Overdue <=30 days	31-120 days	121-365 days	>=365 days	Total
Gross carrying amount	$31,062	$1,961	$226	$431	$81	$33,761
Loss ratio	0.21%	3.01%	47.81%	57.01%	100.00%	
Lifetime expected credit losses	(65)	(59)	(108)	(246)	(81)	(559)
Subtotal	$30,997	$1,902	$118	$185	$-	$33,202

Group 2

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

As of December 31, 2020

Group 1

	Not yet due (Note)	Overdue <=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 (Note)	Overdue <=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

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

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

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

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

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

(18) Operating leases

A. Group as a lessee

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

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

(A) Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2021	2020
Buildings	$73,853	$29,147
Transportation equipment	6,658	-
	$80,511	$29,147

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

(b) Lease liabilities

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

Please refer to Note 6 (20) (C) for the interest on lease liabilities recognized for the years ended December 31, 2021 and 2020 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

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

Depreciation expense of right-of-use assets

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

(C) Income and costs relating to leasing activities

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

(D) Cash outflow relating to leasing activities

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

B. Group as a lessor

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

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

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

	As of December 31,	
	2021	2020
Within 1 year	$2,706	$-
Between 1-2 years	1,353	-
	$4,059	$-

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

	For the years ended December 31,					
	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$5,369	$197,281	$202,650	$-	$160,374	$160,374
Labor and health insurance	487	15,010	15,497	-	12,789	12,789
Pension	95	7,749	7,844	-	7,017	7,017
Other employee benefits expense	422	8,344	8,766	-	8,530	8,530
Depreciation	955	22,877	23,832	-	23,623	23,623
Amortization	-	5,757	5,757	9,063	6,512	15,575

According to the Articles of Incorporation, no less than 3% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit for the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 to be 3% of profit of the current year and 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 amount to NT$31,925 thousand and NT$10,642 thousand, respectively, and the Board of Directors meeting resolved the distribution on March 31,2022.

Based on the profit for the year ended December 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2020 to be 3% of profit of the current year and 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2020 amount to NT$2,939 thousand and NT$980 thousand, respectively.

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

(20) Non-operating income and expenses

(A) Other income

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

(B) Other gains and losses

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

Total	$1,093,887	$(2,060)

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

(C) Finance costs

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

(21) Components of other comprehensive income (loss)

For the year ended December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$2,108	$-	$2,108	$168	$2,276
Unrealized gains or losses from financial assets at fair value through other comprehensive income	27,799	-	27,799	-	27,799
Share of remeasurements of defined benefit plans of associates and joint ventures accounted for using the equity method	2	-	2	-	2
Share of unrealized gains or losses from financial assets at fair value through other comprehensive loss of associates and joint ventures accounted for using the equity method	9	-	9	-	9
Items that may be reclassified subsequently to profit or loss:	15,345	-	15,345	-	15,345
Exchange differences resulting from translating the financial statements of a foreign operation	(11)	-	(11)	-	(11)
Total of other comprehensive income	$45,252	$-	$45,252	$168	$45,420

For the year ended December 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$89	$-	$89	$-	$89
Unrealized gains or losses from financial assets at fair value through other comprehensive income	7,311	-	7,311	-	7,311
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(16,625)	-	(16,625)	-	(16,625)
Total of other comprehensive loss	$(9,225)	$-	$(9,225)	$-	$(9,225)

(22) Income tax

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

(A) Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current income tax expense:		
Current income tax charge	$291,496	$22,769
Adjustments in respect of current income tax of prior periods	-	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	11,367	14,586
Total income tax expense	$302,863	$37,355

(B) Income tax expense recognized in other comprehensive income

	For the years ended December 31,	
	2021	2020
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$(168)	$-

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

	For the years ended December 31,	
	2021	2020
Accounting profit before tax from continuing operations	$1,052,491	$93,767
Tax at the domestic rates applicable to profits in the country concerned	$210,498	$18,753
Tax effect of revenues exempt from taxation	5,755	(7,099)
Tax effect of non-deductible expenses from taxation	128,208	12,906
Tax effect of deferred tax assets/liabilities	(94,477)	(9,974)
Overseas withholding tax	52,879	22,769
Total income tax expense recognized in profit or loss	$302,863	$37,355

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

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

For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Recognize Less: d in profit or loss	Ending balance as of December 31, 2020
Temporary differences			
Unrealized bad debt expense	$8,427	$(8,427)	$-
Unrealized foreign exchange losses	1,230	(696)	534
Unrealized foreign exchange gains	(707)	667	(40)

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

The information of the unused tax losses is as follows:

Year	Tax losses for the period	Unused tax losses As of December 31, 2021	2020	Expiration year
2019	207,900	$-	$124,727	2029
		$-	$124,727	

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

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

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

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets have not been recognized in respect of unused tax losses and deductible temporary differences amounting to NT$185,710 thousand and NT$198,262 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

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

	The assessment of income tax returns
The Company	Assessed and approved up to 2019
Subsidiary - Loftstar Interactive Entertainment Inc.	Assessed and approved up to 2019

Subsidiary- Activision Entertainment Ltd.	Assessed and approved up to 2019
Subsidiary- Kobe Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Gamebase Digital Media Corporation	Assessed and approved up to 2019
Subsidiary- Uniplus Electronics Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Green Bless Co., Ltd.	Assessed and approved up to 2019
Subsidiary- Hang Zheng Technology Co., Ltd.	Assessed and approved up to 2019

(23) Earnings per share

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

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

	For the years ended December 31,	
	2021	2020
(A) Basic earnings per share		
Net income attributable to ordinary equity holders of the Company (in thousand NT$)	$743,583	$56,896
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,434	64,988
Basic earnings per share (NT$)	$11.36	$0.88

	For the years ended December 31,	
	2021	2020
(B) Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$743,583	$56,896
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,434	64,988
Effect of dilution:		
Restricted employee stock	153	535
Employee compensation-stock (in thousands)	325	161
Weighted average number of ordinary shares outstanding after dilution (in thousands)	65,912	65,684
Diluted earnings per share (NT$)	$11.28	$0.87

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

(24) Acquisition of business

(A) Obtain control of subsidiary

The Group held 33,632 thousand shares of Uniplus Electronics Co., Ltd. in a private placement, and the shareholdings reached 34.39%. As the Company obtained the substantial controls over Uniplus Electronics Co., Ltd., it was consolidated as the Company's subsidiary from the control acquisition date. The carrying amount of assets and liabilities of Uniplus Electronics Co., Ltd. and its subsidiaries on the acquisition date are as follow:

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

Gain on disposal of investment accounted for using the equity method	
Fair Value of remaining investments	$160,048
Less: Carrying amount of net assets on the disposal date	(160,554)

Gains (losses) on disposal of investments	$(505)

Cash outflow of acquiring the subsidiary

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

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

(B) Equity transactions with non-controlling interests

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

	Carrying amount
Payment for cash consideration	$(1,000)
Carrying amount of net asset of the subsidiary should be transferred out from non-controlling interests calculated by corresponding change of equity	83
Difference in equity transaction	$(917)

Adjustment account for difference in equity transaction	
Unappropriated earnings	$(917)

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

	Carrying amount
Payment for cash consideration	$(71,860)
Carrying amount of net asset of the subsidiaries acquired	71,968
Difference between consideration and carrying amount of subsidiaries acquired	$108

Adjustment account for difference in equity transaction	
Additional paid-in capital	$108

(25) Disposal of the material assets

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

(A) The total transaction price of the Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only) transfer shall not be lower than NT$2.2 billion.

(B) Or sole license the IP of Chinese Paladin (in Mainland China only) to the third party based on a long-term license agreement.

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

(A) Counterparty and price: CMGE Technology Group Limited, at a price of HK$641.84 million, approximately NT$2,312,550 thousand.

(B) Broker: Hongkong Siyuan Group Limited; Broker fee: HK$3,209.2 thousand, approximately NT$115,627 thousand.

(C) The Company has transferred the interests of Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only) through Time Vision International Limited, a subsidiary of the Company. Time Vision International has disposed its subsidiary, Best Classic International Limited, to transfer 49% shareholdings of Softstar Technology (Beijing) Co., Ltd. and disposed another subsidiary, Mighty Leader Limited, to transfer the IP of Chinese Paladin (in Mainland China only). These relevant disposal procedures have been completed in the end of 2021, and all the directly related interests reclassed to groups held for sale of NT$456,535 thousand has been derecognized. As of December 31, 2021, the Company has received NT$1,680,706 thousand, approximately HK$470.64 million, and HK$171.2 million, approximately NT$612,008 thousand, is still outstanding.

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

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

(26) Subsidiaries with material non-controlling interests

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

Proportion of equity interests held by non-controlling interests:

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

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

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

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

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

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

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

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

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

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

	Uniplus Electronics Co., Ltd. and its subsidiaries

Operating activities	$(5,344)
Investing activities	2,910
Financing activities	(13,166)
Net decrease in cash and cash equivalents	(14,830)

7. Related party transactions

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

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Tokyo Fashion Co., Ltd. (Note 1)	The chairman of the Company and the director of this company are second-degree relatives
Newlogistics Co., Ltd. (Note 2)	The chairman of the Company and the director of this company are second-degree relatives
Galaxy Power Holdings Limited	The key management of the Company is the responsible person of this company
Global Angel Investments Limited	The chairman of the Company is the chairman of this company
Bacchus Wine Group Co., Ltd.	The chairman of the Company is the chairman of this company
Care & Love Wine Co., Ltd.	The chairman of the Company is the chairman of this company
Angel (USA) Investments Limited	The chairman of the Company is the chairman of this company
Major Power Investment Co., Ltd.	The chairman of the Company is the chairman of this company
Channel First Investment Corp.	The chairman of the Company is the chairman of this company
Uniplus Electronics Co., Ltd. (Note 3)	Associate
A.R.T. Games Co., Ltd.	Associate
Softstar Technology (Shanghai) Co., Ltd. (Note 4)	Associate
Softstar Technology (Beijing) Co., Ltd. (Note 4)	Associate
Chander Electronics Corp. (Note 5)	Associate
Double Edge Entertainment Corp.	Other related parties

Note 1: Due to the change of the chairman of the board on September 18, 2020, Tokyo Fashion Co., Ltd. was no longer a related party of the Company since September 18, 2020.

Note 2: Due to the change of the chairman of the board on September 18, 2020, and the registration was completed on February 25, 2021. Newlogistics Co., Ltd. was no longer a related party of the Company since February 25, 2021.

Note 3: Uniplus Electronics Co., Ltd. was consolidated from the control acquisition date, thus Uniplus Electronics Co., Ltd. was changed to the Company's subsidiary from an associate.

Note 4: The shareholders' meeting of the Company held in August 2021 approved to sell the interests of Softstar Technology (Shanghai) Co., Ltd. and Softstar Technology (Beijing) Co., Ltd. The settlement of securities was completed on November 25, 2021, thus they were no longer the related parties of the Company since November 25, 2021.

Note 5: The Company directly and indirectly holds 17.14% of Chander Electronics Corp.'s shares from October 2021. Chander Electronics Corp. was changed to the Company's associate from other related party since October 18, 2021.

Significant transactions with the related parties

(1) Sales

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

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

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

(2) Operating cost

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

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

(3) Operating expenses

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

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

(4) Accounts receivable-related parties

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

(5) Other receivable-related parties

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

(6) Prepayments

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

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

(7) Accounts payable-related parties

	As of December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	$990	$-

(8) Other payables-related parties

	As of December 31,	
	2021	2020
Other related parties		
Bacchus Wine Group Co., Ltd.	$100	$-

(9) Asset transactions

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

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

(10) Lease-related parties

(A) Right-of-use assets

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

(B) Lease liabilities

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

(C) Interest expenses

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

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

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

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

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

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

strategy, and the accumulated shareholdings raised to 17.14%.

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

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

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

(15) Other

Other transactions between the Company and associates are summarized below:

	For the years ended December 31,	
	2021	2020
Other income	$44	$-

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

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

(16) Key management personnel compensation

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

8. Assets pledged as security

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

Items	Carrying amount December 31, 2021	Carrying amount December 31, 2020	Secured liabilities
Other financial assets current-demand deposits	$11,429	$14,031	Current portion of long-term borrowings
Other financial assets, noncurrent-demand deposits	29,006	27,000	Long - term borrowings
Other financial assets	10,082	-	Import duty guaranty
Total	$50,517	$41,031	

9. Commitments and contingencies

None.

10. Loss due to major disasters

None.

11. Significant subsequent events

(1) The Company increased the capital of its subsidiary, Jiwei Technology Ltd., in cash amounted to NT$101,000 thousand. On March 16, 2022, Jiwei Technology Ltd. acquired 50% of Array Holdings for APGFIII Fund LPs' shares, which contributed to 20.71% shareholdings of a company listing on the TPEX in Taiwan, Array Inc. (ticker symbol: 3664), with 10,586 thousand shares. The settlement of securities was completed.

(2) The Board of Directors meeting of the Company held on March 30, 2022 resolved to acquire 12,998 thousand more shares of Chander Electronics Corp., and the total shareholdings will be increased from 17.14% to 36.07% accordingly.

12. Others

(1) Categories of financial instruments

Financial assets	As of December 31, 2021	As of December 31, 2020
Financial assets at fair value through profit or loss	$55,037	$-
Financial assets at fair value through other comprehensive income	111,972	63,315
Financial assets measured at amortized cost (Note 1)	2,112,617	439,118

Total	$2,279,626	$502,433

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

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, 2021 and 2020 is decreased/increased by NT$11,492 thousand and NT$410 thousand, respectively.

(B) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2021 and 2020 is decreased/ increased by NT$1,130 thousand and NT$2,213 thousand, respectively.

(C) When NTD strengthens/weakens against HKD by 1%, the profit or loss for the years ended December 31, 2021 and 2020 is decreased/ increased by NT$835 thousand and NT$0 thousand, respectively.

Interest rate risk

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

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

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

<u>Equity price risk</u>

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

As of December 31, 2021 and 2020, an increase/decrease of 10% in the price of the listed companies' stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$1,845 thousand and NT$1,694 thousand on the equity attributable to the Group for the years ended December 31, 2021 and 2020, respectively.

Please refer to Note 12 (8) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

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

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

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.

<u>Non-derivative financial liabilities</u>

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

(including estimated interest)					
Lease liabilities (Note)	11,969	7,748	7,731	3,701	31,149

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 31, 2021	$-	$131,318	$29,045	$160,363
Cash flows	-	18,833	(19,833)	(1,000)
Non-cash changes	-	-	71,907	71,907
As of December 31, 2021	$-	$150,151	$81,119	$231,270

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

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 31, 2020	$-	$107,742	$37,889	$145,631
Cash flows	-	23,576	(18,969)	4,607
Non-cash changes	-	-	10,125	10,125
As of December 31, 2020	$-	$131,318	$29,045	$160,363

(7) Fair values of financial instruments

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

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

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

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

(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, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$-	$-	$37,894	$37,894
Contract of profit sharing right on game release	-	-	17,143	17,143
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	4,134	14,314	93,524	111,972

As of December 31, 2020

	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

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, there were no transfers between

Level 1 and Level 2 fair value measurements.

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

	Assets	Assets	Assets
	Measured at fair value through profit or loss	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income
	Fund	Profit sharing contract of game development and publishing	Stocks
Beginning balances as of January 1, 2021	$-	$-	$46,369
Total gains and losses recognized for the year ended December 31, 2021			
Amount recognized in profit or loss (presented in "Unrealized gains (losses) from financial asset at fair value through profit or loss)	(4,971)	-	-
Amount recognized in OCI (presented in "Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	-	-	27,155
Acquired in 2021	42,865	17,143	20,000
Ending balances as of December 31, 2021	$37,894	$17,143	$93,524

	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

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through profit or loss					
Profit sharing contract of game development and publishing	Discount in cash flow	Discounting rate	12%	The higher the discount rate, the lower the fair value of the contract.	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$1,714 thousand
Financial assets at fair value through other comprehensive income					
Stocks	Income approach	Discount for lack of marketability	16%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$9,352 thousand

As of December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Income approach	Discount for lack of marketability	16%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT$4,637 thousand

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

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

(9) Significant assets and liabilities denominated in foreign currencies

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

(Expressed in thousands)

	December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$41,613	27.68	$1,151,860
JPY	11,280	0.24	2,747
RMB	26,107	4.34	113,341
HKD	16	3.55	55
Financial liabilities			
Monetary items:			
USD	99	27.68	2,728
RMB	73	4.34	316
HKD	23,544	3.55	83,583

	December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
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

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

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

(10) Capital management

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

13. Additional disclosure

(1) Information at significant transactions

(A) Financing provided to other: Please refer to Attachment 7.
(B) Endorsement/Guarantee provided to others: None
(C) Securities held (excluding subsidiaries, associates and joint venture): Please refer to Attachment 1.
(D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million and 20 percent of the capital stock: Please refer to Attachment 2.
(E) Acquisition of individual real estate with amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(F) Disposal of individual real estate with amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(G) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million and 20 percent of the capital stock: Please refer to Attachment 8.
(H) Receivables from related parties with amounts exceeding the lower of NT$100 million and 20 percent of capital stock: Please refer to Attachment 9.
(I) Financial instruments and derivative transactions: None.
(J) Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions: Please refer to Attachment 3.

(2) Information on investees

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

(3) Information on investments in mainland China

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

(4) Major Shareholder Information

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

14. Segment information

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

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

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

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

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

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

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

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

(Expressed in thousands)

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

(Expressed in thousands)

	For the year ended December 31, 2021					
Revenue	Operating Department	Research and development and licensing	Electronic Products Department	Beauty Products Department	Adjustment and elimination	Total

	segment					
External customer	$177,009	$368,360	$-	$-	$-	$545,369
Inter-segment	17,184	60,229	-	-	(77,413)	-
Total revenue	$194,193	$428,589	$-	$-	$(77,413)	$545,369
Segment (loss) profit	$36,218	$101,886	$-	$-	$-	$138,104

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

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

Operating segment assets

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

Operating segment liabilities

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

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

Other reconciliations of reportable segments

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

(3) Geographical information

Revenue from external customers:

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

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

English Translation of a Report Originally Issued in Chinese

Auditor Report of Independent Auditors

To Softstar Entertainment Inc.

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition —Royalties

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

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

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

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

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

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

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

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

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

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

4. Understanding the compliance of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, Information Reporting by Companies with TPEX Listed Securities, and other related regulations on the internal approval process and publicly disclosure of material information;

5. Obtaining the relevant documents pertaining to share purchase and equity transfer agreements to examine whether the agreed terms and conditions are fulfilled and confirm the recognition of related gains and transaction costs as well as the accuracy of amounts; and

6. Obtaining and examining the remittance records and comparing the consistency with the booking records to verify the occurrence of the transactions.

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

Other matter – Reference to the reports of other independent auditors

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

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

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

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

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

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

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

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

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

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

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

10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to

events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Yu, Chien-Ju
Yang, Chih-Huei

Ernst & Young, Taiwan
March 30, 2022

Notice to Readers

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY BALANCE SHEETS

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of December 31, 2021	As of December 31, 2020
Current assets			
Cash and cash equivalents	4, 6 and 12	$539,398	$167,540
Contract assets, current	4, 6 and 7	-	62,573
Accounts receivable, net	4, 6 and 12	25,805	140,380
Accounts receivable-related parties, net	4, 6, 7 and 12	11,948	31,277
Other receivables	4 and 12	14,499	3
Other receivables-related parties	7 and 12	277,998	1,070
Current income tax assets	4	8,188	556
Prepayment	4 and 7	12,230	19,745
Other financial assets, current	4, 8 and 12	11,448	14,033
Total current assets		901,514	437,177
Non-current assets			
Financial assets at fair value through profit or loss, non-current	4, 5, 6, and 12	37,894	-
Financial assets at fair value through other comprehensive income, non-current	4, 5, 6, and 12	77,658	50,183
Investments accounted for using the equity method	4 and 6	1,209,140	580,780
Contract assets, non-current	4 and 6	35,046	25,842
Property, plant and equipment	4 and 6	4,429	7,465
Right-of-use assets	4 and 6	24,641	18,636
Intangible assets	4 and 6	1,257	2,141
Deferred tax assets	4, 5 and 6	6,007	18,046
Refundable deposits	12	4,289	7,056
Prepayment for investments		-	1,296
Other financial assets, non-current	4, 8 and 12	29,006	27,000
Total non-current assets		1,429,367	738,445
Total assets		$2,330,881	$1,175,622

Liabilities and Equity	Notes	As of December 31, 2021	As of December 31, 2020
Current liabilities			
Contract liabilities, current	4 and 6	$107,176	$6,039
Accounts payable	12	17,533	69,729
Accounts payable-related parties	7 and 12	2,207	2,686
Other payables	6 and 12	71,387	37,698
Other payables-related parties	7 and 12	-	256
Current income tax liabilities	4 and 6	242,632	14,779
Lease liabilities, current	4, 6, 7 and 12	9,568	9,388
Current portion of long-term borrowings	4, 6, 8 and 12	76,103	65,919
Other current liabilities		1,160	1,135
Total current liabilities		527,766	207,629
Non-current liabilities			
Contract liabilities, non-current	4 and 6	28,526	-
Long-term borrowings	4, 6, 8 and 12	74,048	65,399
Deferred tax liabilities	4 and 6	5	40
Lease liabilities, non-current	4, 6 and 12	15,311	8,983
Net defined benefit liabilities	4 and 6	18,739	20,897
Total non-current liabilities		136,629	95,319
Total liabilities		664,395	302,948
Equity			
Common stock	4 and 6	655,869	630,643
Additional paid-in capital	4 and 6	112,491	112,360
Retained earnings	4 and 6		
Legal reserve		52,755	47,123
Special reserve		291,085	281,771
Unappropriated earnings		802,229	98,402
Other components of equity		(247,943)	(297,625)
Total equity		1,666,486	872,674
Total liabilities and equity		$2,330,881	$1,175,622

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2021 and 2020

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

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

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

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

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

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

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

1. History and organization

Formerly known as Cyber Power Systems, Inc., Softstar Entertainment Inc. ("the Company") was incorporated in August 1998 in the Republic of China and it changed its name to Softstar Entertainment Inc. the same year. The Company main lines of business include online games, game software, instructional software, and research, design and sales of computer peripherals. On August 8, 2001, the Company listed its shares of stock on the Taipei Stock Exchange (TPEX). The Company's registered office and the main business location is at 6F, No. 85, Section 4, Ren'ai Road, Taipei, Republic of China (R.O.C.).

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

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 were authorized for issue by the Board of Directors on March 30, 2022.

3. Newly issued or revised standards and interpretations

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2020. The nature and impact of the new standard and amendment had no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

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

E. 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.

F. 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.

G. 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.

H. 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.

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

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

(b) IFRS 17 "Insurance Contracts"

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

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

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

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

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

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

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

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

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

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

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

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under except (b) IFRS 17 "Insurance Contracts", which has no material effect on the Company after the estimation, the related effects would be disclosed after the estimation.

4. Summary of significant accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations).

(2) Basis of preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

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

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in NT$, which is also the Company's functional currency.

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

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

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

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

(4) Translation of financial statements in foreign currency

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

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

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

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

(A) The Company expects to settle the liability in its normal operating cycle.

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

(6) Cash and cash equivalents

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

(7) Financial instruments

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

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

(A) Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

Financial asset measured at fair value through profit or loss

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

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

(B) Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

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

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

(C) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(D) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(E) Offsetting of financial instruments

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

(8) Fair value measurement

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

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

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

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

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

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

(9) Investments accounted for using the equity method

According to Art. 21 of Regulation Governing the Preparation of Financial Reports by Securities Issuers, the Company's investments in its subsidiaries are presented as Investments accounted for using equity method with necessary adjustments so that the net income and other comprehensive income of individual financial report equal the net income and other comprehensive income attributed to the parent of consolidated financial report, and that the shareholder's equity of individual financial report equals the shareholder's equity attributed to the parent of consolidated financial report. Considering the accounting treatment for investment in subsidiaries specified in IFRS 10 "Consolidated Financial Reports", and the different accounting treatments for different level of investees, necessary adjustments are made by debiting or crediting "Investments accounted for using equity method", "Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method", and "Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method".

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

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

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

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

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

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

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

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

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

(10) Property, plant and equipment

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

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

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

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

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

(11) Leases

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

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

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

Company as a lessee

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

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

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

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

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

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

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

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

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

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

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

Company as a lessor

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

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

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

(12) Intangible assets

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

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

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

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

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

Trademark and licences

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

Computer software

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

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

	Trademark	Licences	Computer software
Useful lives	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis over the period of the trademark	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(13) Impairment of non-financial assets

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

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

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

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

(14) Treasury stocks

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

(15) Revenue recognition

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Costs to fulfill a contract

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

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

(16) Borrowing Costs

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

(17) Government grants

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

(18) Post-employment benefits

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

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected

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

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

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

(19) Share-based payment transactions

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

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

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

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

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

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

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

(20) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

5. Significant accounting judgements, estimates and assumptions

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

(1) Judgement

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

A. Revenue recognition – royalties

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

(2) Estimates and assumptions

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

A. Estimate of variable consideration

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

B. Accounts receivables–estimate of impairment loss

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

C. Fair value of financial instruments

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

D. Impairment of non-financial assets

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

E. Income tax

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

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

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2021	2020
Cash on hand & petty cash	$237	$239
Checking and saving accounts	539,161	167,301
Total	$539,398	$167,540

(2) Accounts receivable and Accounts receivable-related parties

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

Accounts receivable were not pledged.

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

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

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

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

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

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

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

(5) Investments accounted for using the equity method

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

	As of December 31,				
	2021		2020		
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	Note
Investments in subsidiaries:					
Time Vision International Limited	$453,188	100%	$-	-%	Note 1,2
Uniplus Electronics Co., Ltd.	364,989	34.39%	-	-%	Note 3,6
Gamebase Digital Media Corporation	137,147	100%	5,981	93.85%	Note 4
JFN Investment Holding Corp.	71,362	100%	-	-%	Note 6
New Profit Holding Limited	24,282	100%	-	-%	Note 7
Loftstar Interactive Entertainment Inc.	20,843	100%	5,453	100%	Note 5
Lanjing Ltd.	20,038	100%	-	-%	Note 6
Jiwei Technology Ltd.	17,325	100%	-	-%	Note 6
Softstar Animation Limited	5,621	100%	-	-%	Note 8

Activision Entertainment Ltd.	1,801	100%	876	100%	Note 9
Softstar International Inc.	-	-%	552,388	100%	Note 1,8
Kobe Co., Ltd.	-	-%	13,369	100%	Note 10
Softstar Creative Inc.	-	-%	1,570	100%	Note 11
Subtotal	1,116,596		579,637		
Investments in associates:					
Chander Electronics Corp.	89,121	6.89%	-	-%	
A.R.T. Games Co., Ltd.	3,423	49%	1,143	49%	
Chia-e International Inc.	-	28.21%	-	28.21%	
Subtotal	92,544		1,143		
Total	$1,209,140		$580,780		

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

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

Note 3: The Company purchased 28,323 thousand and 33,632 thousand shares of Uniplus Electronics Co., Ltd. in a private placement amounted to NT$160,000 thousand and NT$190,000 thousand, respectively, which increased the Company's ownership from 15.72% to 34.39%. As the Company obtained the substantial controls over Uniplus Electronics Co., Ltd., it was consolidated as the Company's subsidiary from the control acquisition date.

Note 4: Gamebase Digital Media Corporation increased its capital by NT$5,000 thousand and NT$5,000 thousand in March and December 2020, respectively, totaling NT$10,000 thousand and 1,000 thousand shares. The newly issued shares were subscribed by the Company and the registration process was completed. After the capital increase, the Company owned 93.85% shareholdings of Gamebase Digital Media Corporation. On March 30, 2021, the Company purchased 400,000 shares of Gamebase Digital Media Corporation from Cite Publishing Limited, which increased the Company's ownership from 93.5% to 100%. Gamebase Digital Media Corporation increased its capital of NT$10,000 thousand and NT$130,000 thousand in June and December 2021, respectively, totaling NT$140,000 thousand and

14,000 thousand shares. The newly issued shares were subscribed by the Company and the registration process was completed.

Note 5: Loftstar Interactive Entertainment Inc. increased its capital of NT$20,000 thousand and NT$10,000 thousand in March and June, 2021, respectively, totaling NT$30,000 thousand and 3,000 thousand shares. The newly issued shares were subscribed by the Company and the registration process was completed.

Note 6: On November 25, 2021, the Company acquired 100% shareholdings of JFN Investment Holding Corp., Lanjing Ltd., and Jiwei Technology Ltd. from a related party, Uniplus Electronics Co., Ltd., because of business strategy.

Note 7: On October 18, 2021, the Company acquired 100% of New Profit Holding Limited's shares from Angel (USA) Investments Limited, a related party, because of business strategy.

Note 8: On March 19, 2021, Softstar International Inc. (SII) was restructured to be owned by the Company directly.

Note 9: Taipei City Government approved Softstar Agency Co., Ltd. to alter its name to Activision Entertainment Ltd. on April 16, 2021. Activision Entertainment Ltd. increased its capital of NT$5,000 thousand, totaling 500 thousand shares in April 2021. The new shares were subscribed by the Company and the registration process was completed.

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

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

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

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

Note 14: Investment in associates

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

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

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

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

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

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

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

Note 17: Disposal of the material assets

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

(C) The total transaction price of the Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only) shall not be lower than NT$2.2 billion.

(D) Or sole license the IP of Chinese Paladin (in Mainland China only) to the third party based on a long-term license agreement.

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

(D) Counterparty and price: CMGE Technology Group Limited, at a price of HK$641.84 million, approximately NT$2,312,550 thousand.

(E) Broker: Hongkong Siyuan Group Limited; Broker fee: HK$32,092 thousand, approximately NT$115,627 thousand.

(F) The Company has transferred the interests of Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only) through Time Vision International Limited, a subsidiary of the Company. Time Vision International has disposed its subsidiary, Best Classic International Limited, to transfer 49% shareholdings of Softstar Technology (Beijing) Co., Ltd. and disposed another subsidiary, Mighty Leader Limited, to transfer the IP of Chinese Paladin (in Mainland China only). These relevant disposal procedures have been completed in the end of 2021, and all the directly related interests reclassed to groups held for sale of NT$456,535 thousand has been derecognized. As of December 31, 2021, the Company has received NT$1,680,706 thousand, approximately HK$470.64 million, and HK$171.2 million, approximately NT$612,008 thousand, is still outstanding.

(6) Property, plant and equipment

	As of December 31,	
	2021	2020
Owner occupied property, plant and equipment	$4,429	$7,465

	Machinery and equipment	Office equipment	Leasehold improvements	Total
Cost:				
As of January 1, 2021	$9,970	$8,091	$13,671	$31,732
Additions	85	700	2,814	3,599
Disposals	-	(941)	(13,671)	(14,612)

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

Property, plant and equipment were not pledged.

(7) Intangible assets

	Trademarks	Copyright	Computer software	Total
Cost:				
As of January 1, 2021	$-	$5,429	$30,088	$35,517
Addition-acquired separately	-	-	2,409	2,409
Deduction-derecognized	-	(5,429)	(15,046)	(20,475)
As of December 31, 2021	$-	$-	$17,451	$17,451
As of January 1, 2020	$3,951	$5,429	$27,605	$36,985

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

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

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

(8) Other payables

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

(9) Long-term borrowings

Details of long-term loans are as follows:

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

Lenders	As of December 31, 2020	Interest Rate (%)	Maturity date and terms of repayment
Taiwan Business Bank secured loan	5,000	1.95%	Repayable quarterly from March 16, 2017 to March 16, 2021. Interest paid monthly.
Taiwan Business Bank	8,333	1.95%	Repayable monthly from October 23,

secured loan			2018 to October 23, 2021. Interest paid monthly.
Bank of Kaohsiung secured loan	6,805	1,89%	Repayable monthly from December 19, 2018 to December 19, 2021. Interest paid monthly.
Taichung Commercial Bank secured loan	11,000	2.03%	Repaid NT2,000 thousand quarterly from April 1, 2019 to April 1, 2021. Interest paid monthly.
Bank of Panhsin secured loan	4,242	2,02%	Repayable monthly from May 29, 2019 to May 29, 2021. Interest paid monthly.
Hua Nan Bank secured loan	8,333	2.02%	Repayable monthly from August 5, 2019 to August 5, 2021. Interest paid monthly.
Chang Hwa Bank secured loan	11,667	2.01%	Repayable quarterly from September 20, 2019 to September 20, 2021. Interest paid monthly.
First Bank unsecured loan	20,938	2.02%	Repayable monthly from June 12, 2020 to June 12, 2023. Interest paid monthly.
Shin Kong Bank secured loan	20,000	1.99%	Repayable monthly from December 19, 2020 to December 19, 2021. Interest paid monthly.
Taiwan Cooperative Bank secured loan	35,000	2.00%	Repayable monthly from December 24, 2020 to December 24, 2025. Interest paid monthly.
Subtotal	131,318		
Less: current portion	(65,919)		
Total	$65,399		

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

(10) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 are NT$5,133 thousand and NT$4,985 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the regulations for revenues, expenditures, safeguard and utilization of the labor retirement fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$433 thousand to its defined benefit plan during the 12 months after December 31, 2021.

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

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

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

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

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

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

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

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

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

Sensitivity analysis:

	2021		2020	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	$-	(680)	$-	$(917)
Discount rate decrease by 0.25%	704	-	950	-
Future salary increase by 0.25%	628	-	850	-
Future salary decrease by 0.25%	-	(611)	-	(826)

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

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

(11) Equities

(A) Common stock

The Company’s authorized capital was NT$1,300,000 thousand and issued capital were NT$655,869 thousand and NT$630,643 thousand, and the number of shares was 65,578 thousand and 63,064 thousand as of December 31, 2021 and 2020, respectively, each at a par value of NT$10. Each share has one voting right and a right to receive dividends.

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

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

For the years ended December 31, 2020, the Company redeemed and cancelled 6 thousand shares of issued restricted stocks for employees. The registration was completed on March 20, 2020.

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

On June 9, 2020, the shareholders' meeting of the Company approved the issuance of common stock from unappropriated retained earnings in the amount of NT$88,719 thousand, and the per value of each share was NT$10. The base date for capital increase was November 3, 2020. In addition, the shareholders' meeting of the Company approved the issuance of common stock from additional paid-in capital in the amount of NT$49,289 thousand, and the per value of each share was NT$10. The base date for capital increase was December 26, 2020. Total of NT$13,801 thousand of new ordinary shares was issued, and the registration was completed and approved by competent authority.

The shareholders' meeting held on July 1, 2021 approved the issuance of 2,523 thousand shares of common stock from unappropriated retained earnings in the amount of NT$25,226 thousand, at a par value of NT$10 per share. The base date for capital increase was November 2, 2021, and the registration was completed.

(B) Capital surplus

	As of December,	
	2021	2020
Additional Paid-in Capital	$112,360	$69,895

Difference between consideration and carrying amount of subsidiaries acquired	131	-
Restricted employee stock	-	42,465
Total	$112,491	$112,360

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 00 new shares to be distributed for every 1,000 shares. However, the Company issued common stock from unappropriated earnings for 8,872 thousand shares first, which caused outstanding shares increased. Therefore, the actual distribution rate was 84,7822 shares for every thousand shares.

(C) Treasury stock

On March 23, 2020, the Board of Directors meeting resolved to repurchase treasury stocks. It was expected to buy 600,000 shares between March 24, 2020 to May 22, 2020 in the price between NT$31 and NT$100 per share. As of May 22, 2020, the Company has bought back 25 thousand shares in the amount of NT$1,023 thousand.

On July 29, 2020, the Board of Directors meeting resolved the retirement of treasury stock, totaling 25 thousand shares. The retirement date was set on July 29, 2020 and the registration was completed on August 4, 2020.

(D) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Payment of all taxes and dues;
(b) Offset prior years' operation losses;
(c) Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
(d) Set aside or reverse special reserve in accordance with law and regulations; and
(e) The distribution of the remaining portion, if any, will be recommended by the

Board of Directors and resolved in the shareholders' meeting.

The company's dividend distribution adopts conservative principle. Paying stock dividend is preferred. If there is a surplus, it will be distributed to shareholders as cash dividends, but the ratio of cash dividend distribution is expected to be lower than 50% of the total dividend distribution.

According to the Company Act, the Company is required to set aside an amount from its earnings to legal reserve unless such legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

In accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865 and "Applicable question and answer for the provision of special reserves after the adoption of International Financial Reporting Standards (IFRSs)", the Company sets aside and reverses special reserves.

Details of the 2020 earnings distribution and dividends per share as approved by the shareholder's meeting held on July 1, 2021 were as follows:

	Appropriation of earnings	Dividend per share (NTD)
	2020	2020
Legal reserve	$5,632	
Special reserve	9,314	
Cash dividend on common stock	12,613	$0.2
Share dividend on common stock	25,226	0.4

Please refer to Note 6 (16) for details on employees' compensation and remuneration to directors and supervisors.

(12) Share-based payment plans

Certain employees of the Company are entitled to share-based payment as part of their remunerations. The company grants the equity instruments to the employees in return for the services they provide. These plans are accounted for as equity-settled share-based payment transactions.

(A) The Company applied for an additional issuance of restricted employee stock in 2018 and issued on January 5, 2019 of NT$15,000 thousand, totaling 1,500 thousand shares, and the share price was NT$105 per share. The share-based payment agreement was as follows:

Type of grant	Date of grant	Total numbers of options granted (unit)	Contract period	Vesting Conditions
Restricted employee stock plan (Note 1)	December 5, 2018	1,500,000	28 months	Achievement of performance conditions (Note 2)

Note 1: The restricted employee stock rights issued by the Company were not transferable during the contract period, but they did not restrict voting rights and included in the distribution of dividends. Employees who leave during the vested period were required to return the shares without the need to return the dividends obtained.

Note 2: A portion of the restricted employee stock would be vested at the end of four months, sixteen months and twenty-eight months if the employee's performance reaches the target set by the company. The maximum share vested would be 40%, 30% and 30% in each of the three periods.

The detailed information of upon share-based payment agreement is as follow:

	As of December 31,	
	2021	2020
	numbers (Thousand shares)	numbers (Thousand shares)
As of January 1	447	900
Issued	-	-
Cancelled	-	(6)
Less: vested	(447)	(447)
As of December 31	-	447

(B) The expenses recognized for employee services received for the years ended December 31, 2021 and 2020, are shown in the following table:

	For the years ended December 31,	
	2021	2020
Total expense arising from equity-settled share-based	$6,540	$31,642

payment transactions		

(13) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Rendering of service	$366,290	$428,552

Analysis of revenue from contracts with customers during the years ended December 31, 2021 and 2020 are as follows:

(A) Disaggregation of revenue

	For the years ended December 31,	
	2021	2020
Timing of revenue recognition:		
At a point in time	$136,310	$141,600
Over time	229,980	286,952
Total	$366,290	$428,552

(B) Contract balances

Net contract assets (liabilities) are as follows:

	Ending balance	Beginning balance	Difference	%
Contract assets, current	$-	$62,573	$(62,573)	(100%)
Contract assets, noncurrent	35,046	25,842	9,204	35.6%
Contract liabilities, current	(107,176)	(6,039)	(101,137)	1,674.7%
Contract liabilities, noncurrent	(28,526)	-	(28,526)	-
Net contract assets	$(100,656)	$82,376	$(183,032)	

Contract assets decreased by NT$53,369 thousand from December 31, 2020 to December 31, 2021, mainly due to multiple contracts for film and television licensing in 2020 were entitled to the right to receive payment in current period, and NT$15,773 thousand are classified to contract assets, non-current due to contract terms are more than one year.

Contract liabilities increased by NT$129,663 thousand from December 31, 2020 to December 31, 2021 was mainly due to advance payment of profit sharing and licensing contract received in current period amounting to NT$134,821, and some contracts are classified as contract liability, non-current as the predicted project launch will be more than one year later.

(C) Transaction price allocated to unsatisfied performance obligations

The Company's transaction price allocated to unsatisfied performance obligations amounted to NT$135,702 thousand as of December 31, 2021. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

The Company's transaction price allocated to unsatisfied performance obligations amounted to NT$6,039 thousand as of December 31, 2020. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

(14) Expected credit losses/ (gains)

	For the years ended December 31,	
	2021	2020
Operating expenses – Expected credit losses/(gains)		
Contract assets	$3,999	$-
Accounts receivable	(1,269)	(42,205)
Other receivables – Related party	-	7,533
Total	$2,730	$(34,672)

The Company measures the loss allowance of its contract assets and trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessments of the Company's loss allowance as of December 31, 2021 and 2020 are as follows:

(A) The gross carrying amount of contract assets are NT$35,046 thousand and NT$88,415 thousand as of December 31, 2021 and 2020, respectively. The loss allowance amounts to NT$0 where an expected credit loss ratio of 0% is used.

(B) The Company groups its trade receivables by counterparties' credit rating, geographical region and industry sector, and its loss allowance is measured by using a provision matrix, details are as follow:

As of December 31, 2021

Group 1

	Not yet due (Note)	Overdue <=30 days	31-120 days	121-365 days	>=365 days	Total
Gross carrying amount	$36,304	$1,294	$108	$428	$-	$38,134
Loss ratio	0.18%	4.56%	13.27%	56.71%	-%	
Lifetime expected credit losses	(65)	(59)	(14)	(243)	-	(381)
Subtotal	$36,239	$1,235	$94	$185	$-	$37,753

As of December 31, 2020

Group 1

	Not yet due (Note)	Overdue <=30 days	31-120 days	121-365 days	>=365 days	Total
Gross carrying amount	$69,326	$2,526	$2,655	$59,634	$-	$134,141
Loss ratio	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-
Subtotal	$69,326	$2,526	$2,655	$59,634	$-	$134,141

Group 2

	Not yet due (Note)	Overdue <=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						$171,657

Note: The Company’s notes receivable are not overdue.

(C) The Company measures the loss allowance of its other receivable at an amount equal to lifetime expected credit losses. The Company recognized NT$0 thousand allowance loss as of December 31, 2021 and 2020.

The movement in the provision for impairment of contract assets and accounts receivable during the years ended December 31, 2021 and 2020 is as follows:

	Contract Assets	Accounts Receivable
As of January 1, 2021	$-	$1,650
Addition/(reversal) for the current period	3,999	(1,269)
Write off due to inability to receive	(3,999)	-
As of December 31, 2021	$-	$381
As of January 1, 2020	$-	$43,855
Addition/(reversal) for the current period	-	-
Write off due to inability to receive	-	(42,205)
As of December 31, 2020	$-	$1,650

Please refer to Note 12 for further details on credit risk.

(15) Operating leases

A. Company as a lessee

The Company leases various properties, including real estate (land and buildings), machinery and equipment, transportation equipment, office equipment and other equipment. The lease terms range from 1 to 5 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

(A) Amounts recognized in the balance sheet

(c) Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2021	2020
Buildings	$24,641	$18,636

The Company's right-of-use assets increased by NT$34,020 thousand and NT$10,657 thousand and decreased by NT$15,563 thousand and NT$5,656 thousand as from January 1 to December 31, 2021 and 2020.

(d) Lease liabilities

	As of December 31,

	2021	2020
Lease liabilities	$24,879	$18,371
Current	$9,568	$9,388
Non-current	$15,311	$8,983

Please refer to Note 6 (17) (C) for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020 and Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

(B) Amounts recognized in the statement of profit or loss

Depreciation expense of right-of-use assets

	As of December 31,	
	2021	2020
Buildings	$12,452	$16,712

(C) Income and costs relating to leasing activities

	For the year ended December 31,	
	2021	2020 (Note)
The expenses relating to short-term leases	$90	$423
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	228	246

(D) Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounting to NT$13,454 thousand and NT$18,022 thousand, respectively.

(16) Summary statement of employee benefits, depreciation and amortization expense by function during the years ended December 31, 2021 and 2020:

	For the years ended December 31,					
	2021			2020		
	Operating	Operating	Total	Operating	Operating	Total

	costs	expenses	amount	Costs	expenses	amount
Employee benefits expense						
Salaries	$-	$141,308	$141,308	$-	$129,278	$129,278
Labor and health insurance	-	10,506	10,506	-	10,023	10,023
Pension	-	5,430	5,430	-	5,474	5,474
Directors' remuneration	-	13,386	13,386	-	3,226	3,226
Other employee benefits expense	-	5,798	5,798	-	6,975	6,975
Depreciation	-	15,661	15,661	-	21,300	21,300
Amortization	-	3,293	3,293	-	11,189	11,189

The number of employees for the Company as of December 31, 2021 and 2020 was 129 and 130, respectively, of which the number of directors were not concurrent employees was 5 and 6, respectively.

The average number of employees for the Company in 2021 and 2020 was 128 and 132 respectively.

The Company's average employee benefit expenses for the years ended December 31, 2021 and 2020 were NT$1,274 thousand and NT$1,149 thousand, respectively.

The Company's average salary expenses for the years ended December 31, 2021 and 2020 were NT$1,104 thousand and NT$979 thousand, respectively. The Company's average salary expenses adjustment for the year ended December 31, 2021 changed by12.72 %.

There is no compensation to supervisors for the years ended December 31, 2021 and 2020, as the company set up an audit committee instead of appointing supervisors.

According to the Articles of Incorporation, no less than 3% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit for the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 to be 3% of profit of the current year and 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2021 amount to NT$31,925 thousand and NT$10,642 thousand, respectively, and the Board of Directors meeting resolved the distribution on March 31,2022.

Based on the profit for the year ended December 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2020 to be 3% of profit of the current year and 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2020 amount to NT$2,939 thousand and NT$980 thousand, respectively.

The Board of Directors meeting held on March 12, 2021 resolved to distribute NT$2,939 thousand and NT$980 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2020, with no material variance with the estimated amount accrued in the financial statements for the year ended December 31, 2020.

The Company set the compensation policy for directors and employees, the amount of distributed compensation was determined by the salary price level of the industry、the responsibilities and authority of the position and the individual contribution to the operating goal. The determination of compensation to directors and executive officers is based on the operation results and contributions, domestic and foreign industry trends was considered also. The distribution of directors' and executive officers' compensations were approved through the compensation committee, and resolved by the meeting of the Board of Directors.

(17) Non-operating income and expenses

(A) Other income

	For the years ended December 31,	
	2021	2020
Interest income		
Financial assets measured at amortized cost	$135	$154
Rental income	1,972	665
Tax refund	18	11,191
Government support income (Note)	-	8,424
Other income	13,179	1,998

Total	$15,304	$22,432

Note: The Government provided subsidies of salaries and operating funds due to the COVID-19 pandemic.

(B) Other gains and losses

	For the years ended December 31,	
	2021	2020
Losses on disposal of property, plant and equipment	$(3,276)	$52
Gains on disposal of investments	(505)	-
Losses on lease modification	(609)	
Foreign exchange losses, net	(9,168)	(2,252)
Losses from financial assets at fair value through profit or loss	(4,971)	
Impairment loss from non-financial assets	(2,688)	-
Other	(1,297)	554
Total	$(22,514)	$(1,646)

(C) Finance costs

	For the years ended December 31,	
	2021	2020
Interest on borrowings from bank	$2,982	$2,287
Interest on lease liabilities	578	373
Total	$3,560	$2,660

(18) Components of other comprehensive loss

For the year ended December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive loss, before tax	Income tax relating to components of other comprehensive loss	Other comprehensive loss, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$1,994	$-	$1,994	$190	$2,184
Unrealized gains or losses from financial assets at fair value through other	27,858	-	27,858	-	27,858

comprehensive income					
Share of remeasurements of defined benefit plans of associates and joint ventures accounted for using the equity method	2	-	2	-	2
Share of unrealized gains or losses from financial assets at fair value through other comprehensive loss of associates and joint ventures accounted for using the equity method	9	-	9	-	9
Share of remeasurements of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	39	-	39	(7)	32
Share of unrealized gains or losses from financial assets at fair value through other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	(59)	-	(59)	-	(59)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	15,345	-	15,345	-	15,345
Share of exchange differences resulting from translating the financial statements of a foreign operation of associates and joint ventures accounted for using the equity method	(11)	-	(11)	-	(11)
Total of other comprehensive loss	$45,177	$-	$45,177	$183	$45,360

For the year ended December 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive loss, before tax	Income tax relating to components of other comprehensive loss	Other comprehensive loss, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$89	$-	$89	$-	$89
Unrealized gains or losses from financial assets at fair value through other comprehensive income	8,897	-	8,897	-	8,897
Share of unrealized gains or losses from financial assets at fair value through other comprehensive loss of associates and joint ventures accounted for using the equity method	(1,586)	-	(1,586)	-	(1,586)
Items that may be reclassified subsequently to					

	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
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)

(19) Income tax

The major components of income tax expense for the years ended 31 December 2021 and 2020 are as follows:

(A) Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2021	2020
Current income tax expense:		
Current income tax charge	$265,808	$22,587
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	12,194	14,586
Total income tax (income) expense	$278,002	$37,173

(B) Income tax expense recognized in other comprehensive income

	For the years ended December 31,	
	2021	2020
Deferred tax expense (income)		
Remeasurements of defined benefit plans	$190	$-

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

For the years ended

	December 31, 2021	December 31, 2020
Accounting profit before tax from continuing operations	$1,021,585	$94,069
Tax at the domestic rates applicable to profits in the country concerned	$204,317	$18,814
Tax effect of revenues exempt from taxation	5,755	(7,099)
Tax effect of non-deductible expenses from taxation	123,466	12,906
Tax effect of deferred tax assets/liabilities	(82,360)	(10,035)
Overseas withholding tax	26,824	22,587
Total income tax expense recognized in profit or loss	$278,002	$37,173

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance as of January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31, 2021
Temporary differences				
Unrealized foreign exchange losses	$534	$444	$-	$978
Unrealized foreign exchange gains	(40)	35	-	(5)
Defined benefit liability, non-current	3,591	(32)	190	3,749
Others	1,449	(169)	-	1,280
Unused tax losses	12,472	(12,472)	-	-
Deferred tax income/ (expense)		$(12,194)	$190	
Net deferred tax assets/(liabilities)	$18,006			$6,002
Reflected in balance sheet as follows:				
Deferred tax assets	$18,046			$6,007
Deferred tax liabilities	$40			$5

For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Recognized in profit or loss	Ending balance as of December 31, 2020
Temporary differences			
Unrealized bad debt expense	$8,427	$(8,427)	$-
Unrealized foreign exchange losses	1,230	(696)	534

Unrealized foreign exchange gains	(707)	667	(40)
Defined benefit liability, non-current	3,591	-	3,591
Others	(670)	2,119	1,449
Unused tax losses	20,721	(8,249)	12,472
Deferred tax income/ (expense)		$(14,586)	
Net deferred tax assets/(liabilities)	$32,592		$18,006
Reflected in balance sheet as follows:			
Deferred tax assets	$33,969		$18,046
Deferred tax liabilities	$1,377		$40

The information of the unused tax losses is as follows:

		Unused tax losses		
	Tax losses for the	As of December 31,		
Year	period	2021	2020	Expiration year
2019		$-	$124,727	2029
		$-	$124,727	

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets have not been recognized in respect of unused tax losses and deductible temporary differences amounting to NT$0 thousand and NT$12,473 thousand, respectively, as the future taxable profit may not be available.

The assessment of income tax returns

As of December 31, 2021, the income tax returns of the Company have been assessed and approved up to 2019.

(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2021	2020
(A) Basic earnings per share		
Net income attributable to ordinary equity holders of the Company (in thousand NT$)	$743,583	$56,896
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,434	64,988
Basic earnings per share (NT$)	$11.36	$0.88
(B) Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$743,583	$56,896
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,434	64,988
Effect of dilution:		
Restricted employee stock	153	535
Employee compensation-stock (in thousands)	325	161
Weighted average number of ordinary shares outstanding after dilution (in thousands)	65,912	65,684
Diluted earnings per share (NT$)	$11.28	$0.87

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Tokyo Fashion Co., Ltd. (Note 1)	The chairman of the Company and the director of this company are second-degree relatives
Newlogistics Co., Ltd. (Note 2)	The chairman of the Company and the director of this company are second-degree relatives
Galaxy Power Holdings Limited	The chairman of the Company and the key management personnel of this company are second-degree relatives
Global Angel Investments Limited	The chairman of the Company is the chairman of this company
Bacchus Wine Group Co., Ltd.	The chairman of the Company is the chairman of this company
Care & Love Wine Co., Ltd.	The chairman of the Company is the chairman of this company
Angel (USA) Investments Limited	The chairman of the Company is the chairman of this company
Major Power Investment Co., Ltd.	The chairman of the Company is the chairman of this company
Channel First Investment Corp.	The chairman of the Company is the chairman of this company
Loftstar Interactive Entertainment Inc.	Subsidiary
Gamebase Digital Media Corporation	Subsidiary
Time Vision International Limited (TVI)	Subsidiary
Uniplus Electronics Co., Ltd. (Note 3)	Subsidiary
Activision Entertainment Ltd.	Subsidiary
Kobe Co., Ltd.	Subsidiary
Softstar Creative Inc. (Note 4)	Subsidiary
Softstar International Inc. (Note 5)	Subsidiary
A.R.T. Games Co., Ltd.	Associate
Softstar Technology (Shanghai) Co., Ltd. (Note 6)	Associate
Softstar Technology (Beijing) Co., Ltd. (Note 6)	Associate
Chander Electronics Corp. (Note 7)	Associate
Double Edge Entertainment Corp.	Other related parties

Note 1： Due to change of the chairman of the board on September 18, 2020, Tokyo Fashion Co., Ltd. was no longer a related party of the Company since September 18, 2020.

Note 2： Due to the change of the chairman of the board on September 18, 2020, and the registration was completed on February 25, 2021. Newlogistics Co., Ltd. was no longer a related party of the Company since February 25, 2021.

Note 3： Uniplus Electronics Co., Ltd. was consolidated from the control acquisition date, thus Uniplus Electronics Co., Ltd. was changed to the Company's subsidiary from an associate.

Note 4： Softstar Creative Inc. was dissolved in December 2020, the liquidation was completed on August 17, 2021, and was no longer a related party of the Company.

Note 5： Softstar International Inc. (SII) was no longer a related party of the Company since November 2021, the Company lost its control.

Note 6： The shareholders' meeting of the Company held in August 2021 approved to sell the interests of Softstar Technology (Shanghai) Co., Ltd. and Softstar Technology (Beijing) Co., Ltd. The settlement of securities was completed on November 25, 2021, thus they were no longer the related parties of the Company since November 25, 2021.

Note 7： The Company directly and indirectly holds 17.14% of Chander Electronics Corp.'s shares from October 2021. Chander Electronics Corp. was changed to the Company's associate from other related party since October 18, 2021.

Significant transactions with the related parties

(1) Rendering of services

	For the years ended December 31,	
	2021	2020
Subsidiary		
Loftstar Interactive Entertainment Inc.	$48,513	$60,317
Gamebase Digital Media Corporation	4,980	
Other related parties		
Bacchus Wine Group Co., Ltd.	1,714	-
Galaxy Power Holdings Limited	686	
Care & Love Wine Co., Ltd.	570	-
Total	$56,463	$60,317

The sales price to the above related parties was determined through mutual agreement. The collection period from sales to the related party customers are 30~60 days, which is the same with third party customers.

(2) Operating costs

	For the years ended December 31,	
	2021	2020
Subsidiary		
Loftstar Interactive Entertainment Inc.	$10,297	$17,086

Operating costs relate to subsidiary database fees and royalty costs.

(3) Accounts receivable-related parties

	As of December 31,	
	2021	2020
Subsidiary		
Loftstar Interactive Entertainment Inc.	$11,649	$31,277
Other related parties		
Bacchus Wine Group Co., Ltd.	150	-
Galaxy Power Holdings Limited	75	-
Care & Love Wine Co., Ltd.	74	-
Total	$11,948	$31,277

(4) Contract assets

	As of December 31,	
	2021	2020
Subsidiary		
Loftstar Interactive Entertainment Inc.	$-	$9,355

(5) Other receivables-related parties

	As of December 31,	
	2021	2020
Subsidiary		
Time Vision International Limited (TVI)	$276,800	$-
Loftstar Interactive Entertainment Inc.	1,154	1,070
Other related parties		-
Chander Electronics Corp.	44	
Total	$277,998	$1,070

Other receivables-related parties mainly related to refund of capital reduction, subsidiary assistance of daily operations, and sale of fixed asset.

(6) Prepayment

	As of December 31,	
	2021	2020
Associate		
A.R.T. Games Co., Ltd.	$972	$-
Global Angel Investments Limited	165	165
Total	$1,137	$165

Prepayment-related parties mainly related to game outsourcing costs, licensing fees and rent prepayment.

(7) Refundable deposits

	As of December 31,	
	2021	2020
Other related parties		
Bacchus Wine Group Co., Ltd.	$495	$-

(8) Accounts payable-related parties

	As of December 31,	
	2021	2020
Subsidiary		
Loftstar Interactive Entertainment Inc.	$2,207	$2,686

(9) Other payables-related parties

	As of December 31,	
	2021	2020
Subsidiary		
Softstar International Inc.	$-	$256

(10) Other current liabilities

	As of December 31,	
	2021	2020
Subsidiary		

Softstar International Inc.	$18	$188

(11) Property transactions

The Company sold property, plant and equipment to the related parties, the amount is as follows:

	As of December 31,	
	2021	2020
Other related parties		
Chander Electronics Corp.	$44	$-

(12) Lease-related parties

A. Right-of-use assets

	As of December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	$-	$10,511

B. Lease liabilities

	As of December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	$-	$10,674

C. Interest expense

	As of December 31,	
	2021	2020
Other related parties		
Global Angel Investments Limited	$149	$-

(13) The Board of Directors of the Company held on August 12, 2021 resolved to acquire 33,632 thousand shares of Uniplus Electronics Co., Ltd. from its related parties, Channel First

Investment Corp., Global Angel Investments Limited, Major Power Investment Co., Ltd, Chander Electronics Corp., with a total transaction amount of NT$190,000 thousand, accounting for 18.67% of Uniplus Electronics Co., Ltd.'s issued ordinary shares.

(14) The Board of Directors of the Company held on October 8, 2021 resolved to increase its shareholdings of Chander Electronics Corp. for the sake of business diversification and strategy, and the accumulated shareholdings raised to 17.14%.

(A) Purchased 4,728,088 shares of Chander Electronics Corp. with a total transaction amount of NT$89,834 thousand from Major Power Investment Co., Ltd. in October 2021.

(B) Acquired 100% of New Profit Holding Limited's shares with a total transaction amount of NT$24,213 thousand from Angel (USA) Investments Limited, which indirectly holds 1,274,346 shares of Chander Electronics Corp. in October 2021.

(C) Acquired 100% of the subsidiaries of Uniplus Electronics Co., Ltd., JFN Investment Holding Corp., Jiwei Technology Ltd.'s, Lanjing Ltd.'s shares, with a total 5,764,508 shares of Chander Electronics Corp. in October 2021.

(15) Other

Other transactions between the Company and subsidiaries are shown below:

	For the years ended December 31,	
Item	2021	2020
Other income	$4,620	$4,138
Rental income	1,972	665
Rental expense	114	-
Sales and marketing expenses	-	5,067
Total	$6,706	$9,870

Other transactions between the Company and associate are shown below:

	For the years ended

Item	December 31, 2021	December 31, 2020
Entertainment expenses	$106	$-
Miscellaneous expenses	-	65
Total	$106	$65

Other transactions between the Company and other related parties are shown below:

Item	For the years ended December 31, 2021	For the years ended December 31, 2020
Entertainment expenses	$202	$200
Miscellaneous expenses	44	-
Service fee	-	952
Postage fee	-	14
Rental expenses	4	-
Interest income	(4)	-
Total	$246	$1,166

(16) Key management personnel compensation

	For the years ended December 31, 2021	For the years ended December 31, 2020
Short-term employee benefits	$40,531	$18,782
Post-employment benefits	365	350
Share-based payment	4,020	9,725
Other long-term benefits	299	474
Total	$45,215	$29,331

8. Assets pledged as security

The following table lists assets of the Company pledged as security:

Items	Carrying amount December 31, 2021	Carrying amount December 31, 2020	Secured liabilities
Other financial assets current-demand deposits	$11,429	$14,031	Current portion of long-term borrowings

Other financial assets, noncurrent-demand deposits	29,006	27,000	Long - term borrowings
Total	$40,435	$41,031	

9. Commitments and contingencies

None.

10. Loss due to major disasters

None.

11. Significant subsequent events

(1) The Company increased the capital of its subsidiary, Jiwei Technology Ltd., in cash amounted to NT$101,000 thousand. On March 16, 2022, Jiwei Technology Ltd. acquired 50% of Array Holdings for APGFIII Fund LPs' shares, which contributed to 20.71% shareholdings of a company listing on the TPEX in Taiwan, Array Inc. (ticker symbol: 3664), with 10,586 thousand shares. The settlement of securities was completed.

(2) The Board of Directors meeting of the Company held on March 30, 2022 resolved to acquire 12,998 thousand more shares of Chander Electronics Corp., and the total shareholdings will be increased from 17.14% to 36.07% accordingly.

12. Others

(1) Categories of financial instruments

Financial assets	As of December 31,	
	2021	2020
Financial assets at fair value through profit or loss	$37,894	$-
Financial assets at fair value through other comprehensive income	77,658	50,183
Financial assets measured at amortized cost (Note 1)	914,154	388,120
Total	$1,029,706	$438,303

Financial liabilities	As of December 31,	
	2021	2020
Financial liabilities at amortized cost:		
Accounts payable	$91,127	$110,369

Long-term borrowings (including current portion)	150,151	131,318
Lease liabilities	24,879	18,371
Total	$266,157	$260,058

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 Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency A and foreign currency B. The information of the sensitivity analyses as follows:

(A) When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended December 31, 2021 and 2020 is decreased/increased by NT$5,295 thousand and decreased/increased by NT$311 thousand, respectively.
(B) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2021 and 2020 is decreased/increased by NT$911 thousand and NT$2,165 thousand, respectively.

Interest rate risk

The interest rate risk is the risk that the fluctuation of fair value and future cash flow of financial instruments caused by the movement of the market interest rate. The Group's interest rate risk arises from the investments of floating rate debt instruments, fixed rate borrowings, and floating rate borrowings.

The Group managed interest rate risk by sustaining appropriate combination of fixed and floating interest rate, but it's not applicable to hedge accounting because of not meeting the criteria of hedge accounting.

The sensitivity analysis of the interest rate risk pertains primarily to the interest rate exposure items at the end of financial statement reporting period, including floating rate borrowings. Assuming holding in a whole fiscal year, an increase/ decrease of 10% in interest rate, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by NT$150 and NT$131 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial asset at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

As of December 31, 2021 and 2020, an increase/decrease of 10% in the price of the listed companies' stocks classified as equity instruments investments measured at fair value through other comprehensive income will be increase/decrease by NT$413 thousand and NT$384 thousand on the equity attributable to the Company for the years ended December 31, 2021 and 2020, respectively.

Please refer to Note 12 (8) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2021, and December 31, 2020, accounts receivable and contract assets from top ten customers represent 46.36% and 36.93% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivable and contract assets are relatively insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions and companies with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2021					
Accounts payable (including other payables)	$91,127	$-	$-	$-	$91,127
Long-term borrowings (including estimated interest)	77,627	48,039	27,492	-	153,158
Lease liabilities (Note)	10,048	15,561	-	-	25,609
As of December 31, 2020					
Accounts payable (including other payables)	$110,369	$-	$-	$-	$110,369
Long-term borrowings (including estimated interest)	67,229	40,505	26,305	-	133,939
Lease liabilities (Note)	9,971	3,771	3,771	1,886	19,399

Note: Including cash flows resulted from short-term leases or leases of low-value assets.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Long-term borrowings (including current	Lease liabilities	Total liabilities from financing activities

		portion)		
As of January 1, 2021	$-	$131,318	$18,371	$149,689
Cash flows	-	18,833	(13,136)	5,697
Non-cash changes	-	-	19,644	19,644
As of December 31, 2021	$-	$150,151	$24,879	$175,030

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2020	$-	$107,742	$30,328	$138,070
Cash flows	-	23,576	(17,353)	6,223
Non-cash changes	-	-	5,396	5,396
As of December 31, 2020	$-	$131,318	$18,371	$149,689

(7) Fair values of financial instruments

(A) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, accounts receivables, refundable deposits, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method or income approach valuation techniques. The market method valuation is based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and

Price-Book ratio of similar entities). The income method is based on the estimated recoverable amount of the present value of similar financial assets that are expected to be received from cash dividends or disposals of investments.

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(B) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and financial liabilities measured at amortized cost is approximate their fair value.

(C) Fair value measurement hierarchy for financial instruments

Please refer to Note 12 (8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

(A) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(B) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$-	$-	$37,894	$37,894
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$4,134	-	73,524	$77,658

As of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$3,814	$-	$46,369	$50,183

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets	
	Measured at fair value through other comprehensive income	Measured at fair value through other comprehensive income
	Fund	Stocks
Beginning balances as of January 1, 2021	$-	$46,369

Total gains and losses recognized for the year ended December 31, 2021		
Amount recognized in net income (presented in "Unrealized gains (losses) from financial asset at fair value through profit or loss)	(4,971)	-
Amount recognized in OCI (presented in "Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	-	26,283
Acquired in 2021	42,865	872
Ending balances as of December 31, 2021	$37,894	$73,524

	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

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Income approach	Discount for lack of marketability	16%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT$7,352 thousand

As of December 31, 2020

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input to

	techniques	unobservable inputs	information	between inputs and fair value	fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Income approach	Discount for lack of marketability	16%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Company's equity by NT$4,637 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

(Expressed in thousands)

	December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$19,224	27.68	532,129
RMB	21,068	4.34	91,436
Financial liabilities			
Monetary items:			
USD	$94	27.68	$2,603
RMB	73	4.34	316

	December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			

Monetary items:			
USD	$1,314	28.49	$37,431
RMB	49,440	4.38	216,548
Financial liabilities			
Monetary items:			
USD	$222	28.48	$6,327
RMB	-	-	-

The above information is disclosed based on the carrying amount of foreign currency (after conversion of functional currency).

The Company has a variety of functional currencies, therefore the monetary impact on financial assets and liabilities impact for each individual currency cannot be disclosed. For the years ended December 31, 2021 and 2020, foreign exchange losses were NT$9,168 thousand and NT$2,252 thousand, respectively.

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional disclosure

(1) Information at significant transactions

(A) Financing provided to other: Please refer to Attachment 7.
(B) Endorsement/Guarantee provided to others: None
(C) Securities held (excluding subsidiaries, associates and joint venture): Please refer to Attachment 1.
(D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million and 20 percent of the capital stock: Please refer to Attachment 2.
(E) Acquisition of individual real estate with amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(F) Disposal of individual real estate with amount exceeding the lower of NT$300 million and 20 percent of the capital stock: None.
(G) Related party transactions for purchases and sales amounts exceeding the lower of

NT$100 million and 20 percent of the capital stock: Please refer to Attachment 8.

(H) Receivables from related parties with amounts exceeding the lower of NT$100 million and 20 percent of capital stock: Please refer to Attachment 9.

(I) Financial instruments and derivative transactions: None.

(J) Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions: Please refer to Attachment 3.

(2) Information on investees

Names, locations, and other information (excluding investment in Mainland China): Please refer to Attachment 4.

(3) Information on investments in mainland China

(A) Basic information: Please refer to Attachment 5.

(B) Directly or indirectly significant transactions through third regions with the investees in Mainland China: None

(4) Information on major shareholders

Information on major shareholders: Please refer to Attachment 6.

(Expressed in thousands of NTD unless otherwise stated)

ATTACHMENT 1: Securities held as of December 31, 2021

Names of companies held	Type of securities (Note 1)	Name of securities (Note 1)	Relationship with the Company (Note 2)	Financial statement account	December 31, 2021				Note (Note 4)
					Shares (in thousand)	Carrying amount (Note 3)	Percentage of ownership (%)	Fair value	
Softstar Entertainment Inc.	Stock	Auer Media & Entertainment Corp.	-	Financial assets at fair value through other comprehensive income, non-current	2,696	$67,397	19.48%	$67,397	None
Softstar Entertainment Inc.	Stock	Taiwan Smart Card Co.	-	Financial assets at fair value through other comprehensive income, non-current	2,552	3,084	15.95%	3,084	None
Softstar Entertainment Inc.	Stock	Double Edge Entertainment Corp.	Other related party	Financial assets at fair value through other comprehensive income, non-current	566	3,043	17.43%	3,042	None
Softstar Entertainment Inc.	Stock	Funfia Inc.	-	Financial assets at fair value through other comprehensive income, non-current	600		11.51%		None
Softstar Entertainment Inc.	Emerging stock	SNSplus Inc.	-	Financial assets at fair value through other comprehensive income, non-current	266	4,134	1.78%	4,134	None
Softstar Entertainment Inc.	Listed stock	Newretail Co., Ltd.	-	Other receivables	1,315	14,314	2.74%	14,314	None
Softstar Entertainment Inc.	Fund	Cathay Private Equity Ecology Limited Partnership	-	Financial assets at fair value through profit or loss, non-current		23,097	16.21%	23,097	None
Softstar Entertainment Inc.	Fund	Cathy Private Equity Smart Technology Limited Partnership	-	Financial assets at fair value through profit or loss, non-current		14,797	7.14%	14,797	None
Mega Media Group Limited	Stock	BLC Group Holding Limited	-	Financial assets at fair value through other comprehensive income, non-current	678	20,000	8.82%	20,000	None
Mega Media Group Limited	Stock	Boom Fintech Inc.	-	Financial assets at fair value through other comprehensive income, non-current	250		9.22%		None
						$149,866			

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.

(Expressed in thousands of NTD unless otherwise stated)

ATTACHMENT 2: Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital

Purchaser/Seller	Marketable securities type and name (Note1)	Financial statement account	Counterparty	Relationship	Beginning balance		Acquisition		Disposal				Beginning balance	
					Shares/ Units	Amount	Shares/ Units	Amount	Shares/ Units	Amount	Carrying value	Gain/Loss on disposal	Shares/ Units	Amount (Note3)
Softstar Entertainment Inc.	Uniplus Electronics Co., Ltd.	Investments accounted for using the equity method	Note2	-	2,000	$12	61,953,433	$350,000	-	$-	$-	$-	61,955,433	$364,989
Time Vision International Limited	Best Classic International Limited	Investments accounted for using the equity method	Note4	-	-	-	-	456,535 (Note5)	-	256,106	456,535	(200,429)	-	-
Time Vision International Limited	Mighty Leader Limited	Investments accounted for using the equity method	Note4	-	-	-	-	- (Note6)	-	1,424,600	-	1,424,600	-	-

Note 1: Securities refers to stocks, bods, beneficiary certificates, and securities derived from items listed above.

Note 2: In January 2021, the Board of Directors meeting resolved to acquire 28,321,569 shares of Uniplus Electronics Co., Ltd. in a private placement from Derlin Biotech Corp. and Youder Investment Co., Ltd., with a total transaction amount of NT$160,000 thousand and 5.72% shareholdings.

In Augusr 2021, the Board of Directors meeting resolved to acquire 33,631,864 shares of Uniplus Electronics Co., Ltd. from its related parties, Channel First Investment Corp., Global Angel Investments Limited, Major Power Investment Co., Ltd, Chander Electronics Corp., with a total transaction amount of NT$190,000 thousand in exchange of 18.67% of Uniplus Electronics Co., Ltd.'s issued ordinary shares.

According to above-mentioned purchases, the Company obatined 61,953,433 shares with a total amount of NT$350,000 thousand and the accumulated shareholdings was 34.39%.

Note 3: The Company recognized loss on the disposal of investment in NT$505 thousand and share of gain of associates and joint ventures accounted for using the equity method of NT$3,779 thousand, which contained the inestment income of NT$541 thousand recognized before

Uniplus Electronics Co., Ltd. was consolidated, and the investment income of NT$3,238 thousand recogzined based on 34.39% of shareholdings after it was consolidated.

Note 4: On July 1, 2021, the shareholders' meeting of the Company approved to dispose the material assets, the interests of Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only) through its subsidiary, Time Vision International Limited.

Time Vision International Limited has disposed its subsidiary, Best Classic International Limited, to transfer 49% shareholdings of Softstar Technology (Beijing) Co., Ltd. and disposed another subsidiary, Mighty Leader Limited, to transfer the IP of Chinese Paladin (in Mainland China only) to CMGE.

Note 5: On April 12, 2021, the Company restructured its organization by establishing two offshore subsidiaries, Time Vision International Limited (TVI) and Best Classic International Limited (BCI). The Company's subsidiary, Softstar International Inc. was directly held by Time Vision International Limited (TVI) and Best Classic International Limited (BCI) after re-organization. Best Classic International Limited (BCI) was sold to CMGE Technology Group Limited in December 2021.

Note 6: Time Vision International Limited invested Mighty Leader Limited at a price of the IP of Chinese Paladin in China.

(Expressed in thousands of NTD unless otherwise stated)

Attachment 3: Significant intercompany transactions between consolidated entities

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Business Transactions			
				Account	Amount	Term	As a percentage of consolidated revenues (Note 3)
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Operating Revenue	$48,513	Negotiated by both parties	8.67%
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Operating Costs	10,297	Negotiated by both parties	1.84%
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Accounts Receivable	11,649	Negotiated by both parties	0.39%
0	Softstar Entertainment Inc.	Gamebase Digital Media Corporation	1	Operating Revenue	4,980	Negotiated by both parties	0.17%
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	1	Operating Revenue	212,342	Negotiated by both parties	37.96%
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	1	Rental Income	1,105	Negotiated by both parties	0.20%
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	1	Accounts Receivable	127,375	Negotiated by both parties	4.24%
1	Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	1	Rental Income	183	Negotiated by both parties	0.03%
1	Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	1	Other Income	4	Negotiated by both parties	0.00%
1	Uniplus Electronics Co., Ltd.	Jiu He Yi Technology Co., Ltd.	1	Rental Income	19	Negotiated by both parties	0.00%
1	Hang Zheng Technology Co., Ltd.	Uniplus Electronics Co., Ltd.	2	Sales Revenue	4,385	Negotiated by both parties	0.78%
1	Green Bless Co., Ltd.	Uniplus Electronics Co., Ltd.	2	Sales Revenue	1	Negotiated by both parties	0.00%

Note 1: Information about related party transactions should be stated. The numbers of each company are illustrated as follows:
1. 0 is for the parent company.
2. Each subsidiary is numbered from 1.

Note 2: Transactions are categorized into three types as follows: (There is no need to repeat the disclosure of the same transaction between the parent company and each subsidiary.
For example, if the parent company has disclosed the transaction with the subsidiary, the subsidiary does not need to disclose it; if transactions between subsidiaries has been disclosed by one company, the other company does not need to disclose the transaction.
1. Parent company and subsidiary.
2. Subsidiary and Parent company.
3. Subsidiary and subsidiary.

(Expressed in thousands of NTD unless otherwise stated)

Note 3: Transaction amount is stated as a percentage of total revenues or assets. Percentages of assets or liabilities accounts are calculated as ending balance divided by consolidated assets, and percentages of profit or loss accounts are calculated as accumulated amount for the year divided by consolidated revenues.

ATTACHMENT 4: Names, locations and related information of investee companies (Not including investment in Mainland China)

Investor company	Investee company	Location	Main business and products	Original investment amount		Investment as of December 31, 2021			Net income (loss) of investee (Note 1)	Investment income (loss) recognized (Note 1)	Note
				Ending balance	Beginning balance	Number of shares (in thousand)	Percentage of ownership (%)	Book value			
Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	Taiwan	Software wholesale and information software services	$58,500	$95,000	5,850	100%	$20,843	$(14,610)	$(14,610)	Subsidiary
Softstar Entertainment Inc.	Activision Entertainment Ltd.	Taiwan	Performing arts	6,000	13,500	-	100%	1,801	(4,075)	(4,075)	Subsidiary
Softstar Entertainment Inc.	Sofstar Creative Inc.	Taiwan	Network software development and technical services	-	47,000	-	0%	-	(1,165)	(1,165)	(Note4)
Softstar Entertainment Inc.	Kobe Co., Ltd.	Taiwan	Investment holding	-	98,792	-	-	-	(56)	(56)	(Note5)
Softstar Entertainment Inc.	Gamebase Digital Media Corporation	Taiwan	Software publishing and information software services	138,000	60,000	14,200	100%	137,147	(9,051)	(8,920)	Subsidiary
Softstar Entertainment Inc.	Softstar Animation Limited	Samoa	Investment holding	29,888	29,888	980	100%	5,621	(224)	(967)	Subsidiary
Softstar Entertainment Inc.	A.R.T. Games Co., Ltd.	Taiwan	Network software development and technical services	12,250	12,250	1,225	49.00%	3,423	10,141	4,969	Investee accounted for using the equity method
Softstar Entertainment Inc.	Chia-e International Inc.	Taiwan	Investment holding	20,000	20,000	814	28.21%	-	(3,537)	-	Investee accounted for using the equity method
Softstar Entertainment Inc.	Time Vision International Limited	Samoa	Investment holding	499,922	-	2	100.00%	453,188	(586,411)	1,013,409	Subsidiary
Softstar Entertainment Inc.	Uniplus Electronics Co., Ltd.	Taiwan	Electronic Parts/Components	350,012	-	61,955	34.39%	364,989	12,901	3,779	Subsidiary(Note6)
Softstar Entertainment Inc.	New Profit Holding Ltd.	Seychelles	Investment holding	24,501	-	1,610	100.00%	24,282	1,668	(238)	Subsidiary
Softstar Entertainment Inc.	JFN Investment Holding Corp.	BVI	Investment holding	71,830	-	12	100.00%	71,362	(753)	(641)	Subsidiary(Note10)
Softstar Entertainment Inc.	Lanjing Ltd.	Taiwan	Investment holding	20,216	-	-	100%	20,038	(178)	(174)	Subsidiary(Note10)
Softstar Entertainment Inc.	Jiwei Technology Ltd.	Taiwan	Investment holding	17,480	-	-	100%	17,325	(156)	(151)	Subsidiary(Note10)
Softstar Entertainment Inc.	Chander Electronics Corp.	Taiwan	Electronic Products Distribution	89,834	-	4,728	6.89%	89,121	(35,772)	(713)	Investee accounted for using the equity method
Lanjing Ltd.	Chander Electronics Corp.	Taiwan	Electronic Products Distribution	20,216	-	1,064	1.54%	20,043	(35,772)	(173)	Investee accounted for using the equity method
Jiwei Technology Ltd.	Chander Electronics Corp.	Taiwan	Electronic Products Distribution	17,480	-	920	1.34%	17,329	(35,772)	(151)	Investee accounted for using the equity method
New Profit Holding Ltd.	Chander Electronics Corp.	Taiwan	Electronic Products Distribution	24,213	-	1,274	1.86%	24,003	(35,772)	(209)	Investee accounted for using the equity method
JFN Investment Holding Corp.	Chander Electronics Corp.	Taiwan	Electronic Products Distribution	71,830	-	3,781	5.51%	71,210	(35,772)	(621)	Investee accounted for using the equity method
Time Vision International Limited	Mighty Leader Limited	Samoa	Investment holding	-	-	-	-	-	(Note7)	-	(Note7)
Time Vision International Limited	Best Classic International Limited	Samoa	Investment holding	-	-	-	-	-	(Note7)	-	(Note7)
Best Classic International Limited	Softstar International Inc.	Cayman Island	Investment holding	-	-	-	-	-	(Note7)	-	(Note7)
Softstar International Inc.	Sofstar Global Inc.	Mauritius	Investment holding	-	162,277	-	-	-	-	-	(Note8)
Gamebase Digital Media Corporation	Niusnews Co., Ltd.	Taiwan	Advertisement and information software services	34,980	-	318	8.93%	34,980	(Note11)	-	Indirect subsidiary(Note9)
Gamebase Digital Media Corporation	Mega Media Group Limited	Seychelles	General investment	93,264	-	2,800	100.0%	93,264	(2)	-	Indirect subsidiary(Note9)
Mega Media Group Limited	Niusnews Co., Ltd.	Taiwan	Advertisement and information software services	73,260	-	666	18.7%	73,260	(Note11)	-	Indirect subsidiary
Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	Taiwan	Beauty and skincare products	94,736	85,736	2,900	100.0%	26,137	(4,953)	(7,451)	Indirect subsidiary
Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Taiwan	Wholesale of electronic equipments	10,000	10,000	1,000	100.0%	8,933	1,091	1,091	Indirect subsidiary
Uniplus Electronics Co., Ltd.	JFN Investment Holding Corp.	BVI	Investment	-	-	-	-	-	1,716	(112)	(Note10)
Uniplus Electronics Co., Ltd.	Jiu He Yi Technology Co., Ltd.	Taiwan	Wholesale of electronic equipments	21,000	-	2,100	100.0%	20,956	(44)	(44)	Indirect subsidiary
Uniplus Electronics Co., Ltd.	Lanjing Ltd.	Taiwan	Investment	-	-	-	-	-	512	(5)	(Note10)
Uniplus Electronics Co., Ltd.	Jiwei Technology Ltd.	Taiwan	Investment	-	-	-	-	-	445	(5)	(Note10)

Note 1: If the listed company set up the overseas investment company and consolidated financial statements are primary financial statements under local regulations, information about overseas investees can be disclosed only to the extent of the overseas investment company.

Note 2: If not qualified for the situation stated in Note 1, the above table should be made under rules as follows:

(1) Information about the Company's investments should be filled in the "Investee", "Location", "Main business", "Original investment" and "Investment as of December 31, 2018" columns. The relationship between the investee and the Company should be filled in the "Note" column.

(2) The net income for the year of each investee should be filled in the "Net income (loss) of investee" column.

(3) Only the investment income (loss) of subsidiaries or investees accounted for using the equity method recognized by the Company should be filled in the "Investment income (loss) recognized" column. The investment income (loss) recognized should include investment income (loss) recognized by the investee.

Note 3: Included the investment loss (5,372) thousand and the amortization of differences in equity (1,873) thousand.

Note 4: Softstar Creative Inc. was dissolved in December 2020, and the liquidation was completed on August 17, 2021.

Note 5: Kobe Co., Ltd, was dissolved in November 2021, and is still in the liquidation process.

Note 6: The Company recognized the investment income consisted of the investment income amounted to NT$541 thousand recognized before Uniplus Electronics Co., Ltd. was consolidated, and the investment income amounted to NT$3,238 thousand recogzined based on 34.39% of shareholdings after it was consolidated.

Note 7: Mighty Leader Limited, Best Classic International Limited, and Sofstar International Inc. were established in 2021, and were disposed on November 25, 2021, thus the information pertaining to net income (loss) of the investee for the year ended Decemeber 31, 2021 was not available.

(Expressed in thousands of NTD unless otherwise stated)

Note 8: Sofstar Gobal Inc. had applied for cancellation in October, 2020, and the cancellation was completed on November 16, 2021.
Note 9: Gamebase Digital Media Corporation acquired 8.93% shareholdings of Niusnews Co., Ltd. and 100% shareholdings of Mega Media Group Limited at the end of 2021, indirectly holding 18.7% shareholdings of Niusnews Co., Ltd. through Mega Media Group Limited.
Note 10:JFN Investment Holding Corp., Lanjing Ltd., and Jiwei Technology Ltd. became the subsidiaries of the Company in November 2021.
Note 11:Niusnews Co., Ltd. was acquired at the end of December 2021, thus the information pertaining to net income (loss) of the investee was not available.

ATTACHMENT 5: Investment in Mainland China

1. The following table presents names, main businesses and products, total amount of paid-in capital, method of investment, accumulated outflow of investment from Taiwan, investment income recognized, carrying amount, and accumulated inward remittance of earnings on investment of investees in Mainland China

Investee Company	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as at January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (loss) of investee Company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as of December 31, 2021	Accumulated inward remittance of earnings as of December 31, 2021	Note (Note 2(2))
					Outflow	Inflow							
Softstar Technology (Beijing) Co., Ltd.	Information processing service	$32,856	2	$32,856	$-	$-	$32,856	(Note4)	-	$(84,287)	$-	$-	C
Softstar Technology (Shanghai) Co., Ltd.	Information processing service	134,694	2	22,294	-	-	22,294	(Note4)	-	(28,228)	-	-	C

2. Investment quota for Mainland China:

Accumulated investment in Mainland China as of December 31, 2021	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment in accordance with Ministry of Economic Affairs regulations (Note 5)
$55,150	$285,526	$1,283,272

Note 1: The method for engaging in investment in Mainland China include the following：

(1) Direct investment in Mainland China with capital increase through companies registered in third region.

(2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of company in third region)

(3) Other method.

Note 2: The investment income (loss) recognized in current period：

(1) It should be noted if it is in preparation which there is no investment profit or loss.

(2) The investment income (loss) were determined based on the following basis:

A.The financial statement was audited by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.

B.The financial statement was audited by the auditors of the parent company.

C.Others.

(Expressed in thousands of NTD unless otherwise stated)

Note 3: The amount is stated in NTD.

Note 4: The shares of Softstar Technology (Beijing) Co., Ltd. and Softstar Technology (Shanghai) Co., Ltd. were disposed on November 25, 2021, thus the information pertaining to net income (loss) of the investee was not available.

Note 5: The upper limit of investment amount in Mainland China is the higher of 60% of the net value or 60% of consolidated net value.

Attachment 6: Major shareholder information

Share / Major Shareholder Name	Holding shares	Holding percentage(%)
Angel Fund (ASIA) Investments Limited	6,628,195	10.10%
Investment Account in Yuanta Commercial Bank entrusted by Fulong Group Co., Ltd.	3,994,045	6.08%
Global Angel Investments Limited	3,594,639	5.48%

Attachment 7: Loans to others

NO. (Note1)	Creditor	Borrower	General ledger account	Is a related party	Maximum amount of current period	Ending Balance	Actual amount drawn down (Note4)	Interest rate	Nature of loan (Note2)	Amount of transaction with borrower	Reason for short-term financing (Note6)	Allowance for doubtful accountes	Collateral		Limit on loans granted to a single party (Note3)	Ceiling on total loans granted (Note3)
													Item	Value		
1	Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	Other Receivables - related parties	Yes	$10,000	$10,000	$-	-%	2	$-	Operating capital	$-	-	$-	$287,944	$287,944

Note 1: The number filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is "0".

(2) The subsdiaries are numbered in order starting from "1".

Note 2: The number filled in for nature of loan are as follows:

(1) Business transaction is "1".

(2) Short-term financing is "2".

Note 3: The limit on loans granted to a single party of Uniplus Electronics Co., Ltd. should not exceed 40% of its net worth.

Note 3: Written-off when preparing the consolidated statement.

Attachment 8: Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction Purchases/ sales	Amount	Percentage of total purchases/ sales	Credit term	Differences in transaction terms compared to third party transactions (Note1)		Notes/accounts receivable (payable)		Note
							Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Subsidiary	Sales	$212,342	37.96%	According to the agreement	The transaction price and payment terms are not materially different from the third party.	According to the agreement	Account receivables $127,375	76.62%	Note

Note: Written-off when preparing the consolidated statement.

Attachment 9: Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Creditor	Counterparty	Relationship with the counterparty	Balance of receivables from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	Note
					Amount	Action taken			
Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Subsidiary	$127,375	3.33	$-	-	$23,409	$-	

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

SOFTSTAR ENTERTAINMENT INC.

1. Statement of cash and cash equivalents

December 31, 2021

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Cash on hand	Including USD $2,500.00 CNY $8,000.00	$237	1. No bank deposits listed in the left column were pledged.
Checking accounts			2. As of December 31, 2021
Demand deposits	Including USA $8,688,352,85 CNY $11,475,480.46	539,161	Exchange rate: USD1 = NTD 27.68 CNY1 = NTD 4.34
Total		$539,398	

SOFTSTAR ENTERTAINMENT INC.

2. Statement of contract assets

December 31, 2021

In Thousands of New Taiwan Dollars

Customer name	Description	Amount	Note
Current			
Third Parties		$-	
Related Parties		-	
Total		$-	
Non-Current			
Third Parties			
Customer A		$11,935	
Customer B		10,742	
Customer C		5,859	
Customer D		3,580	
Customer E		2,930	
Total		$35,046	

SOFTSTAR ENTERTAINMENT INC.

3. Statement of accounts receivable, net

December 31, 2021

In Thousands of New Taiwan Dollars

Customer name	Description	Amount	Note
Third Parties			
Customer F		$14,318	
Customer G		4,682	
Customer H		3,426	
Others	The amount of individual customer in others does not exceed 5% of the account balance.	3,760	
Total		26,186	
Less: loss allowance		(381)	
Net amount		$25,805	

SOFTSTAR ENTERTAINMENT INC.

4. Statement of financial assets at fair value through profit or loss

For the Year Ended December 31, 2021

In Thousands of Shares/ New Taiwan Dollars

Item	Beginning Balance		Addition		Decrease		Valuation	Ending Balance		Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount	Amount	Shares	Fair Value		
Cathy Private Equity Ecology Limited Partnership	-	$-	27,865	$27,865	-	$-	$(4,768)	27,865	$23,097	None	
Cathy Private Equity Smart Technology Limited Partnership	-	-	15,000	15,000	-	-	(203)	15,000	14,797	None	
		$-		$42,865		$-	$(4,971)		$37,894		

SOFTSTAR ENTERTAINMENT INC.

5. Statement of financial assets at fair value through other comprehensive income, non-current

For the Year Ended December 31, 2021

In Thousands of Shares/ New Taiwan Dollars

Item	Beginning Balance		Addition		Decrease		Valuation	Ending Balance		Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount	Amount	Shares	Fair Value		
Snsplus Inc.	266	$3,802	-	$-	-	$-	$332	266	$4,134	None	
Auer Media & Entertainment Corp.	2,696	40,600	-	-	-	-	26,797	2,696	67,397	None	
Taiwan Smart Card Co.	2,552	3,598	-	-	-	-	(514)	2,552	3,084	None	
Double Edge Entertainment Corp.	479	2,171	87	872	-	-	-	566	3,043	None	
Funfia Inc.	600	-	-	-	-	-	-	600	-	None	
Uniplus Electronics Co., Ltd.	2	12	-	-	2	12	-	-	-	None	Note1
		$-		$42,865		$-	$(4,971)		$37,894		

SOFTSTAR ENTERTAINMENT INC.
6. Statement of changes in investments accounted for using equity method
For the Year Ended December 31, 2021

In Thousands of Shares/ New Taiwan Dollars

Investee	Beginning balance		Additions		Disposals		Other changes				Ending balance			Fair value / Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Investment Income (Loss)	Unrealized Gains or Losses from Financial Assets at Fair Value Through Other Comprehensive Income (Loss)	Other	Exchange Differences Resulting from Translating the Financial Statements of Foreign Operations	Shares	%	Amount	Unit Price (NTD)	Total amount		
Loftstar Interactive Entertainment Inc.	2,850	$5,453	3,000	$30,000	-	$-	$(14,610)	$-	$-	$-	5,850	100%	$20,843	$3.56	$20,843	None	
Activision Entertainment Ltd.	-	876	-	5,000	-	-	(4,075)	-	-	-	-	100%	1,801	-	1,801	None	
Softstar Creative Inc.	4,700	1,570	-	-	4,700	405	(1,165)	-	-	-	-	-%	-	-	-	None	Note1
Softstar International Inc.	5,059	552,388	-	-	5,059	5,767	(40,111)	-	(506,510)	-	-	-%	-	-	-	None	
Kobe Co., Ltd.	9,920	13,369	-	-	9,920	13,254	(56)	(59)	-	-	-	-%	-	-	-	None	Note2
Gamebase Digital Media Corporation	6,100	5,981	8,100	141,000	-	-	(8,920)	-	(914)	-	14,200	100.00%	137,147	9.66	137,147	None	
Softstar Animation Limited	-	-	980	-	-	-	(967)	-	6,588	-	980	100.00%	5,621	5.74	5,621	None	
A.R.T. Games Co., Ltd.	1,225	1,143	-	-	-	-	4,969	-	(2,689)	-	1,225	49.00%	3,423	2.79	3,423	None	
Chia-e International Inc.	814	-	-	-	-	-	-	-	-	-	814	28.21%	-	-	-	None	
Time Vision International Limited	-	-	2	-	-	-	1,053,520	-	(600,332)	-	2	100.00%	453,188	226,594.00	453,188	None	
Uniplus Electronics Co., Ltd.	-	-	61,955	350,012	-	-	3,779	-	11,198	-	61,955	34.39%	364,989	5.89	364,989	None	
New Profit Holding Limited	-	-	1,610	24,501	-	-	(238)	1	19	(1)	1,610	100.00%	24,282	15.08	24,282	None	
JFN Investment Holding Corp.	-	-	12	71,829	-	-	(641)	3	175	(4)	12	100.00%	71,362	6,152.58	71,362	None	
Lanjing Ltd.	-	-	-	20,216	-	-	(174)	1	(4)	(1)	-	100%	20,038	-	20,038	None	
Jiwei Technology Ltd.	-	-	-	17,480	-	-	(151)	1	(4)	(1)	-	100%	17,325	-	17,325	None	
Chander Electronic Corp.	-	-	4,728	89,834	-	-	(713)	3	1	(4)	4,728	6.89%	89,121	18.85	89,121	None	
Total		$580,780		$749,872		$19,426	$990,447	$(50)	$(1,092,472)	$(11)			$1,209,140				

Note 1: Others have converted from negative to positive balances for the current year and are therefore reclassified from other non-current liabilities to investments using the equity method.

SOFTSTAR ENTERTAINMENT INC.

7. Statement of changes in right-of-use assets

For the Year Ended December 31, 2021

In Thousands of New Taiwan Dollars

Item	Buildings	Note
As of January 1, 2021	$51,286	
Additions	34,020	
Disposals	(51,286)	
Exchange effect	-	
As of December 31, 2021	$34,020	

SOFTSTAR ENTERTAINMENT INC.

8. Statement of changes in accumulated depreciation and accumulated impairment of right-of-use assets

December 31, 2021

In Thousands of New Taiwan Dollars

Item	Buildings	Note
As of January 1, 2021	$32,650	
Depreciation expense	12,452	
Disposals	(35,723)	
Exchange effect	-	
As of December 31, 2021	$9,379	

SOFTSTAR ENTERTAINMENT INC.

9. Statement of accounts payable

December 31, 2021

In Thousands of New Taiwan Dollars

Vendor name	Description	Amount	Note
Third Parties			
Vendor A		$13,562	
Vendor B		1,816	
Vendor C		1,485	
Others	The amount of individual vendor in others does not exceed 5% of the account balance.	670	
Total		$17,533	

SOFTSTAR ENTERTAINMENT INC.

10. Statement of lease liabilities

December 31, 2021

In Thousands of New Taiwan Dollars

Item	Description	Contract period	Discount rates applied	Amount	Note
Buildings	Office leases	110.01~113.01	1.99%	$16,061	
Buildings	Office leases	110.01~113.12	1.99%	5,701	
Vehicles	Company car	110.03~113.03	1.99%	3,117	
Less: Current portion				(9,568)	
Net amount				$15,311	

SOFTSTAR ENTERTAINMENT INC.

11. Statement of operating costs

For the Year Ended December 31, 2021

In Thousands of New Taiwan Dollars

Item	Amount		Note
	Description	Total	
Labor cost		$17,860	
Other operating costs		24,744	
Total		$42,604	

SOFTSTAR ENTERTAINMENT INC.

12. Statement of marketing expenses

For the Year Ended December 31, 2021

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Salaries		$26,021	
Taxes		17,728	
Depreciation		3,042	
Other expenses	The amount of individual item in others does not exceed 5% of the account balance.	5,631	
Total		$52,422	

SOFTSTAR ENTERTAINMENT INC.

13. Statement of general and administrative expenses

For the Year Ended December 31, 2021

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Salaries		$51,502	
Labor expense		26,539	
Depreciation		7,432	
Miscellaneous expenses		5,733	
Other expenses	The amount of individual item in others does not exceed 5% of the account balance.	9,202	
Total		$100,408	

SOFTSTAR ENTERTAINMENT INC.

14. Statement of research and development expenses

For the Year Ended December 31, 2021

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Salaries		$82,404	
Labor expense		23,877	
Insurance expense		6,344	
Other expenses	The amount of individual item in others does not exceed 5% of the account balance.	13,593	
Total		$126,218	

Chapter 7 Review of Financial Conditions, Operating Results, and Risk Management

I. Analysis of Financial Status

Review and Analysis Statement for Financial Analysis

Comparative Analysis of Financial Conditions

Unit: In Thousands of NTD

Item \ Year	2021	2020	Differences	
			Amount	%
Current assets	2,193,125	488,516	1,704,609	348.94
Long-term investments (Note 2)	500,378	605,323	(104,945)	(17.34)
Property, plant and equipment	9,766	8,147	1,619	19.87
Intangible assets	136,751	5,229	131,522	2,515.24
Other assets	167,642	109,882	57,760	52.57
Total assets	3,007,662	1,217,097	1,790,565	147.12
Current liabilities	687,612	239,595	448,017	186.99
Noncurrent liabilities	181,264	104,614	76,650	73.27
Total liabilities	868,876	344,209	524,667	152.43
Common stock	655,869	630,643	25,226	4.00
Additional paid-in capital	112,491	112,360	131	0.12
Retained earnings	1,146,069	427,296	718,773	168.21
Other equity	(247,943)	(297,625)	49,682	(16.69)
Total equity attributable to the parent company	1,666,486	872,674	793,812	90.96
Non-controlling interests	472,300	214	472,086	220,600.93
Total equity	2,138,786	872,888	1,265,898	145.02

Note 1: The Company shall explain the primary reason and its effect regarding major changes in assets, liabilities, and shareholders' equity (with changes over 20% and the amount involving in such changes has reached NT$10 million) for the past two years. For material effects, explain the counterplan in the future.

Note 2: Long-term investments include changes in financial assets at fair value through profit or loss - non-current, financial assets measured at fair value through other comprehensive income - non-current, and investments accounted for using the equity method.

1. Explanations for items with major changes:
   (1) Current assets: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021, the current assets have increased.
   (2) Intangible assets: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021, the intangible assets have increased.
   (3) Other assets: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021, the other assets have increased.
   (4) Current liabilities: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021 and the fact that the net profit was higher in 2021, the income tax payable, employee remuneration and director and supervisor remuneration payable have increased.
   (5) Noncurrent liabilities: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021 and increase of its loans.
   (6) Retained earnings: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021 and the sale of Goldensoft Technology Co., Ltd.'s equity and Sword and Fairy IP in Mainland China, the net profit of the year has increased.
   (7) Non-controlling interests: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021, the Company now holds 34.39% of Uniplus Electronics Co., Ltd.
2. Future corresponding plan: Not applicable.

II. Analysis of Operation Results

Unit: In Thousands of NTD

Item \ Year	2021	2020	Increases (decreases)	Rate of change %
Operating revenue	559,406	545,369	14,037	2.57
Operating costs	(157,229)	(89,939)	(67,290)	74.82
Gross profit (loss)	402,177	455,430	(53,253))	(11.69)
Operating expenses	(378,729)	(317,326)	(61,403)	19.35
Operating income (loss)	23,448	138,104	(114,656)	(83.02)
Non-operating items	1,029,043	(44,337)	1,073,380	(2,420.96)
Profit (Loss) before income tax	1,052,491	93,767	958,724	1,022.45
Income tax expenses	(302,863)	(37,355)	(265,508)	710.77
Net income (loss) for the period	749,628	56,412	693,216	1,228.84
Net income (loss) attributable to shareholders of the parent company	743,583	56,896	686,687	1,206.92
Net income (loss) attributable to non-controlling interests	6,045	(484)	6,529	(1,348.97)

Note: The Company shall explain the primary reason regarding major changes in operating revenue, operating net income and net income before tax (with changes over 20% and the amount involving in such changes has reached NT$10 million) for the past two years.

1. Primary reason for items with major changes in the past two years
   (1) Operating costs: Due to the merger of the Company and Uniplus Electronics Co., Ltd. in September 2021, the operating cost has increased as the Company is the main entity of inventory sales.
   (2) Non-operating items: Due to the sale of Goldensoft Technology Co., Ltd.'s equity and Sword and Fairy IP in Mainland China, its gain on disposal has been recognized.
   (3) Income tax expenses: Due to the sale of Goldensoft Technology Co., Ltd.'s equity and Sword and Fairy IP in Mainland China, its gain on disposal has been recognized, and is relevant income tax expenses have thus increased.
2. Estimated quantity of sales and its basis:
   There is no statistic for sales because no financial forecasting was prepared by the Company.
3. Possible effects and the counterplan for the future financial business of the Company:
   In the future, the Company will reinforce its IP operations including "Sword and Fairy", "Xuan Yuan Sword", and "Richman" through the development of mobile games, single player games, and online games, as well as invest in the audiovisual and cultural and creative field. Through licensing partnerships with top-tier international manufacturers, we ensure that Softstar products will not be absent in all fields and platforms. We will also release NFT and cross over to the metaverse, while maintaining high investment and high quality to gain the support of the market and players.

III. Analysis of Cash Flow

Review and Analytical Statement for Cash Flow

Analysis of Cash Flow

Unit: In Thousands of NTD

Balance of cash - beginning (1) (Note)	Net cash flow from operating activities during the year (2)	Cash inflow during the year (3)	Cash balance (1)+(2)+(3)	Remedial measures for cash deficit	
				Investment plans	Financial plans
238.201	372,799	1,184,702	1,795,522	-	-

1. Analysis of cash flow changes of 2021:
   (1) Operating activities: The net cash inflow from operating activities for the period was mainly due to the decrease in accounts receivable and the increase in contract liabilities.
   (2) Investing activities: The net cash inflow from investing activities for the period was mainly due to the disposal of equity of Goldensoft Technology Co., Ltd.
   (3) Financing activities: The net cash outflow from financing activities for the period was primarily due to the distribution of cash dividends and the repayment of the principal of lease liabilities.

2. Remedial measures for cash deficit and liquidity analysis:
   (1) Remedial measures for cash deficit: None.
   (2) Liquidity analysis:

Item \ Year	December 31, 2021	December 31, 2020	Increase (Decrease) %
Cash flow ratio (%)	54.22	40.71	33.19
Cash flow adequacy ratio (%)	37.02	(1.41)	(2,700,71)
Cash flow reinvestment ratio (%)	18.01	10.44	72.51

Increase or decrease of change analysis:
Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Due to the cash inflow from operating activities in 2021.

3. Cash liquidity analysis for the following year:

Beginning cash balance (1)	Projected net cash flow from operating activities during the year (2)	Projected cash outflow during the year (3)	Projected cash balance (1)+(2)+(3)	Remedial measures for projected cash deficit	
				Investment plans	Financial plans
1,795,522	458, 636	(458, 867)	1, 795, 291	N/A	N/A

1. Analysis of changes in cash flow for the year:
   (1) Operating activities: The net cash inflow from operating activities in this period was mainly due to the expected launch of a number of new games in 2022.
   (2) Investing activities: The net cash outflow from investing activities in the current period is mainly for reinvestment, purchase of fixed assets and intangible assets.
   (3) Financing activities: The net cash outflow from financing activities in the current period is mainly due to repayment of borrowings, payment of remuneration to employees, directors and supervisors, and cash dividends.
2. Remedial measures for cash deficit and liquidity analysis: None.

IV. Major Capital Expenditure Items: None.

V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for Coming Year

(I) Reinvestment policy

The Company primarily engages in game development, game agency, and IP licensing. Regarding the reinvestment layout, the Company mainly focuses on the game development/agency companies within the same industry as the Company as the core, or companies with related business, complement advantages, and synergies as investing targets.

(II) Main reasons for profits/losses generated thereby and plan for improving reinvestment profitability

Most of the losses from reinvestment are game operating companies and media platform operating companies. In the future, we will strengthen the control of expenses to improve the loss situation.

The profit from the reinvestment is mainly the sale of Sword and Fairy IP in Mainland China and Beijing Softstar Company. In the future, in addition to allowing Sword and Fairy to maximize resources in Mainland China and enhancing the Company's multi-dimensional entertainment cooperation in Mainland China, the Company will also be able to take on a global perspective and create the most influential Chinese gaming brand in the world.

(III) Investment plans for coming year: In March and April 2022, the Board of Directors approved the increase of shareholding ratio to Chander Electronics Corp., an reinvested company, with a cumulative shareholding ratio of 41.04%; in March and April 2022, the Board of Directors approved the indirect shareholding to Array Networks Taiwan with a cumulative shareholding ratio of 41.42%.

VI. Analysis of Risk Management for the Past Year up to the Date of Printing the Annual Report:

(I) Impact of changes in interest rates, foreign exchange rates, and inflation in the most recent year on the Company's profit and loss, and future response measures:

1. Interests expenses of the Company form an insignificant part of net operating revenue; therefore, changes in interest rate has no significant effect on the Company.
2. Regarding foreign currency assets of the Company, specialists from the Finance Department are responsible for regular evaluation, and shall keep close contact with the foreign exchange department of corresponding banks to keep abreast the trend of changes in exchange rates, so as to minimize the effects of exchange rate fluctuation risks on the revenue and profit of the Company.
3. There has been no effect on the Company operation arising from inflation in 2021.

(II) Policy regarding high-risk and highly leveraged investments, loaning of funds, endorsements/guarantees, and derivatives transactions; the primary reasons for the profit or loss, and future response measures:

1. High-risk investments and highly leveraged investments

   Currently, the Company does not engage in any high-risks or highly leveraged investments.

2. Loaning of funds, and endorsements/guarantees

   No capital lending and endorsement or guarantee has taken place from 2021 up to the date of publication of this annual report in 2022.

3. Derivatives transactions

   Currently, the Company does not engage in any derivatives transactions.

(III) Future R&D plans and R&D expenditure to be invested:

1. Future R&D plans:

   (1) Product R&D Program － Brand IP Promotion: The R&D team will launch the Sword and Fairy Series product "Sword and Fairy Inn 2" this year. Compared with the previous work "Sword and Fairy Inn", this game will see a dramatic improvement in production technology, art presentation, and gameplay innovation. The goal of this product is to extend the popularity of the Sword and Fairy's single-player products, while paving the way for the next major development of the Sword and Fairy IP series.

   (2) Technology R&D Program － Cultivating Local Culture: In addition to continuing to operate the existing popular IP, the R&D team will continue to explore Taiwan's local culture and launch movie tie-in games, such as "The Bridge Curse", "The Bridge Curse: Road to Salvation". In addition to Chinese, the games will also support English and Thai language. The R&D team will continue to explore Taiwan's local culture by employing the increasingly mature Unreal Engine and 3D dynamic technology to vividly and faithfully restore the local horror legend in schools.

   (3) Product R&D Program － Overseas Market Expansion: The R&D team has accumulated the technical strength of multi-platform and multi-language development from "Xuan Yuan Sword VII", and has gained valuable experience in the European and North American gaming market environment and preferences of local players. This year, the R&D team will build "Sea Horizon" for overseas markets and actively expand the Company's global presence. As the usage of Spine tools become increasingly mature, the R&D team has gained extensive experience in 2D dynamic production and will apply them to subsequent game development.

2. R&D expenditures excepted to be reinvested will be approximately NT$ 98 million in 2022.

(IV) Impact of changes of important domestic and international policies and laws on the

Company’ s finance and business, and response measures: None.

(V) Impact of changes in technology (including cyber security risks) and industry on the Company’ s finance and business, and response measures: None.

(VI) Impact of changes of corporate images on crisis management and response measures: None.

(VII) Projected benefits and possible risks in engaging in mergers or acquisitions and response measures: None.

(VIII) Projected benefits and possible risks in expanding plants and response measures: None.

(IX) Risks posed by concentrated procurement and sales and response measures: None.

(X) Effect and risk of transfer or change of shares held by directors, supervisors and shareholders with 10% or more share ownership: and response measures: None.

(XI) Impacts and risks arising from changes of management rights and response measures: None.

(XII) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.

(XIII) Other important risks, and mitigation measures being or to be taken: None.

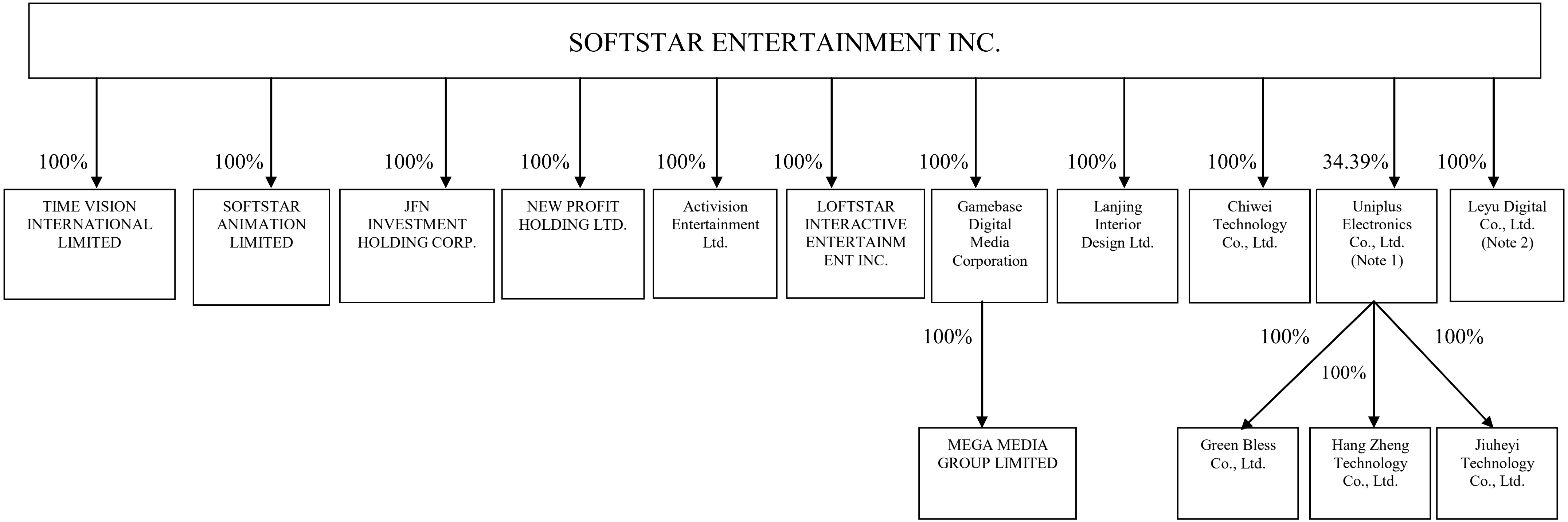
VII. Other Important Matters: None.

Chapter 8 Special Disclosure

I. Summary of Affiliated Companies

(I) Consolidated Business Report Covering Affiliated Companies

1. Organization of Affiliated Companies as of December 31, 2021



Note 1:The Company obtained control of Uniplus Electronics Co., Ltd. in September 2021 and consolidated it into the consolidated financial statements.

Note 2:Formerly Kobe Co., Ltd. The company was renamed Leyu Digital Co., Ltd. in November 2021. It was dissolved on November 22, 2021 and is currently being liquidated.

2. Information on Affiliated Companies

As of December 31, 2021; Unit: NT$ thousands

Affiliated Company	Date of Incorporation (yyyy/mm/dd)	Address	Paid-in Capital	Scope of Business or Production
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	2014/04/10	5F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	58,500	Software wholesaling and information software services
Gamebase Digital Media Corporation	2011/05/26	4F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	142,000	Software publishing and information software services
Activision Entertainment Ltd.	2015/02/04	4F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	6,000	Performing activities
Chiwei Technology Co., Ltd.	2021/05/20	4F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	11,080	General investment
Lanjing Interior Design Ltd.	2021/05/20	4F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	12,808	General investment
Uniplus Electronics Co., Ltd. (Note 1)	1991/09/06	No. 38-1, Dongyuan Road., Zhongli District, Taoyuan City	1,801,568	Plywood manufacturing (electronic components)
Leyu Digital Co., Ltd. (Note 2)	2009/06/19	4F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	99,200	General investment
Softstar Animation Limited	2016/05/11	Offshore Chambers, P.O.Box 217, Apia, Samoa	29,888	General investment
Time Vision International Limited	2021/01/06	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	499,922	General investment
JFN Investment Holding Corp.	2016/06/23	Vistra Corporate Services Centre, Wickhams CayII, Road Town, Tortora, VG1110, British Virgin Islands.	71,830	General investment
New Profit Holding Ltd.	2016/06/23	House of Francis, Room 303, lle Du Port, Mahe, Seychelles	24,501	General investment
Mega Media Group Limited	2016/02/02	House of Francis, Room 303, lle Du Port, Mahe, Seychelles	93,264	General investment
Green Bless Co., Ltd.	2011/03/25	3F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	29,000	Beauty and skin care products
Hang Zheng Technology Co., Ltd.	2019/12/06	No. 38-1, Dongyuan Road., Zhongli District, Taoyuan City	10,000	Wholesale of electronic equipment
Jiuheyi Technology Co., Ltd.	2021/05/24	3F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	21,000	Wholesale of electronic equipment

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3. Information on Same Shareholders under Presumption of a Relationship of Control or Subordination: None.
4. Industries Covered by the Overall Business Operated by Affiliated Companies: Game-related development, agency, sales operations and licensing; the operating items of Uniplus Electronics Co., Ltd. are mainly electronic components.

5. Directors, Supervisors, and Presidents of Affiliated Companies

As of December 31, 2021; Unit: 1,000 shares

Affiliated Company	Title	Name or Representative	Shareholding	
			Number of shares	Shareholding ratio
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	5,850	100.00%
	Director	Chen, Yao-Tien and Chuang, Jen-Chuan, representatives for SOFTSTAR ENTERTAINMENT INC.	5,850	100.00%
	President	CHEN, YAO-TIEN	0	0
	Supervisor	Hsieh, Fang-Shu, representatives for SOFTSTAR ENTERTAINMENT INC.	5,850	100.00%
Gamebase Digital Media Corporation	Chairman	Lien, Chien-Hsin, representative for SOFTSTAR ENTERTAINMENT INC.	14,200	100.00%
	Director	Tsai, Ming-Hung and Chuang, Jen-Chuan, representatives for SOFTSTAR ENTERTAINMENT INC.	14,200	100.00%
	Supervisor	Lin, Hui-Chen, representative for SOFTSTAR ENTERTAINMENT INC.	14,200	100.00%
Activision Entertainment Ltd.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	Note 3	100.00%
Chiwei Technology Co., Ltd.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	Note 3	100.00%
Lanjing Interior Design Ltd.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	Note 3	100.00%
Uniplus Electronics Co., Ltd. (Note 1)	Chairman	TU, CHUN-KUANG	0	0
	Director	Hsieh, Fang-Shu, representative of Global Angel Investments Limited	2	0
	Director	Chen, Yao-Tien, representatives for SOFTSTAR ENTERTAINMENT INC.	61,955	34.39%
	Independent Director	Chi, De-Chang, Kao, Huan-Tang, Ku, Hsiao-Chen	0	0
Leyu Digital Co., Ltd. (Note 2)	Chairman	Chuang, Jen-Chuan, representative for SOFTSTAR ENTERTAINMENT INC.	Note 3	100.00%
Softstar Animation Limited	Chairman	Tu, Chun-Kuang, representative for Softstar International Inc.	Note 3	100.00%
Time Vision International Limited	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	Note 3	100.00%
JFN Investment Holding Corp.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	Note 3	100.00%
New Profit Holding Ltd	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	Note 3	100.00%
Mega Media Group Limited	Chairman	Tu, Chun-Kuang, representative of Gamebase Digital Media Corporation	Note 3	100.00%
Green Bless Co., Ltd.	Chairman	Tu, Chun-Kuang, representative of Uniplus Electronics Co., Ltd.	2,900	100.00%
	Supervisor	Shen, Yung-Hsuan, representative of Uniplus Electronics Co., Ltd.	2,900	100.00%
Hang Zheng Technology Co., Ltd.	Chairman	Yeh, Jih-Hung, representative of Uniplus Electronics Co., Ltd.	1,000	100.00%
Jiuheyi Technology Co., Ltd.	Chairman	Tu, Chun-Kuang, representative of Uniplus Electronics Co., Ltd.	2,100	100.00%
	Supervisor	Chin, Cheng-Long, representative of Uniplus Electronics Co., Ltd.	2,100	100.00%

Note 1: The Company obtained control of Uniplus Electronics Co., Ltd. in September 2021 and consolidated it into the consolidated financial statements.

Note 2: Formerly Kobe Co., Ltd. The company was renamed Leyu Digital Co., Ltd. in November 2021. It was dissolved on November 22, 2021 and is currently being liquidated.

Note 3: This is a limited company with no issued shares.

6. Financial Position and Operating Results of Affiliated Companies:

December 31, 2021

Unit: Thousand NT$

Affiliated Company	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income (Loss)	Income (Loss) after Tax
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	58,500	64,772	43,929	20,843	123,331	(12,339)	(14,610)
Gamebase Digital Media Corporation	142,000	137,455	3,020	134,435	6,341	(11,358)	(9,051)
Activision Entertainment Ltd.	6,000	2,409	608	1,801	20	(4,076)	(4,075)
Chiwei Technology Co., Ltd.	11,080	17,332	7	17,325	0	(11)	(156)
Lanjing Interior Design Ltd.	12,808	20,045	7	20,038	0	(11)	(178)
Uniplus Electronics Co., Ltd. (Note 1)	1,801,568	801,893	82,033	719,860	356,057	15,223	12,901
Leyu Digital Co., Ltd. (Note 2)	99,200	13,254	0	13,254	0	(56)	(56)
Softstar Animation Limited	29,888	7,304	1,683	5,621	0	0	(224)
Time Vision International Limited	0	813,570	360,382	453,188	0	(2)	(586,411)
JFN Investment Holding Corp.	72,115	71,362	0	71,362	0	(130)	(753)
New Profit Holding Ltd	62,864	24,282	0	24,282	0	(247)	1,668
Mega Media Group Limited	176,144	93,264	0	93,264	0	(2)	(2)
Green Bless Co., Ltd.	29,000	18,165	1,578	16,587	16,565	(4,954)	(4,953)
Hang Zheng Technology Co., Ltd.	10,000	141,184	132,251	8,933	19,447	(747)	(1,091)
Jiuheyi Technology Co., Ltd.	21,000	20,956	0	20,956	0	(45)	(44)

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Note 2: Formerly Kobe Co., Ltd. The company was renamed Leyu Digital Co., Ltd. in November 2021. It was dissolved on November 22, 2021 and is currently being liquidated.

Note: On December 31, 2021, the exchange rate of US dollar to NT dollar was 1:27.68 (balance sheet) and 1:27.76 (income statement).

(II) Consolidated Financial Statements Covering Affiliated Companies: Same as the consolidated financial statements

(III) Statement on Consolidated Financial Statements Covering Affiliated Companies

SOFTSTAR ENTERTAINMENT INC. and Subsidiaries

Statement on Consolidated Financial Statements Covering Affiliated Companies

In 2021 (from January 1, 2021 to December 31, 2021), the companies required to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards (IFRS) 10, and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. The Company hereby produces this declaration to the effect that no preparation for the separate consolidated financial statements of affiliates is required.

Very truly yours,

SOFTSTAR ENTERTAINMENT INC.

Chairman: Tu, Chun-Kuang

March 30, 2022

(IV) Affiliation Report: N/A.

II. Private Placement Securities in the Most Recent Years and up to the Date of Publication of the Annual Report: None.

III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the Date of Publication of the Annual Report:
As of the publication date of the 2022 Annual Report, Uniplus Electronics Co., Ltd. holds 4,096,713 shares of the Company.

IV. Other Necessary Supplement: None.

Chapter 9 Any of the Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act which Might Materially Affect Shareholders' Equity or Price of the Company's Securities in the Most Recent Year up to the Date of Publication of the Annual Report: None.

SOFTSTAR ENTERTAINMENT INC.

Chairman: Tu, Chun-Kuang