

Stock Code: 6111



# **SOFTSTAR ENTERTAINMENT INC.**

## **Shareholders General Meeting in 2021**

### **Meeting Handbook**

Meeting time: May 31, 2021

Meeting place: Conference Room 203, 2nd Floor, No. 123 Songren Road, Xinyi District, Taipei City  
(Headquarters Building of Hua Nan Bank )

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***SOFTSTAR ENTERTAINMENT INC.***

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**Procedure for 2021 Annual Meeting  
of Shareholders of Softstar Entertainment Inc.**

- I. Call the meeting to order
  
- II. Chairman's remarks
  
- III. Report Items
  
- IV. Proposals
  
- V. Discussions
  
- VI. Questions and Motions
  
- VII. Meeting Adjourned

## **Softstar Entertainment Inc.**

### **Agenda of 2021 Annual Meeting of Shareholders**

Time: 9:00 a.m., Monday, May 31, 2021

Place: Conference Room 203, 2nd Floor No.123, Songren Road, Xinyi District, Taipei City  
(Hua Nan Bank Headquarters)

I. Call the meeting to order

II. Chairman's remarks

III. Report Items:

(I) 2020 Business Report.

(II) 2020 Audit Committee's Review Report.

(III) Report on conducting of private placement of securities.

(IV) Report on 2020 employees' profit sharing bonus and Directors' compensation.

IV. Proposals:

(I) Adoption of the 2020 Business Report and Financial Statements.

(II) Adoption of the Proposal for Distribution of 2020 Profits

V. Discussion:

(I) Discussion on the Company's 2020 earnings for capital increase and issuance of new stocks.

(II) Amendments to the "Articles of Incorporation" .

(III) Amendments to the "Rules and Procedures of Shareholders' Meeting" .

(IV) Proposal of Release the Prohibition on Directions and Representatives from Participation in Competitive Business.

(V) The Company's disposal of the equity of Softstar Technology (Beijing) Co., Ltd. and the intellectual property rights of Sword and Fairy (only in mainland China).

VI. Questions and Motions

VII. Meeting Adjourned

## Report Items

Report 1: 2020 Business Report

Explanation: Please refer to page 9-12 of the Handbook (Attachment I).

Report 2: 2020 Audit Committee's Review Report

Explanation: Please refer to page 13 of the Handbook (Attachment II).

Report 3: Report on conducting of private placement of securities.

Explanation: On June 9, 2020, the Shareholders' Meeting of the Company passed a resolution on the private placement of ordinary shares, with a denomination of NT\$10 per share and no more than 10 million shares issued. According to the resolution, the private placement should be executed three times within 1 year after the resolution of the shareholders' meeting. The case will expire on June 8, 2021, and will not be processed after the resolution of the Board of Directors on March 3, 2021.

Report 4: Report on 2020 employees' profit sharing bonus and Directors' compensations.

Explanation: According to the Company's Articles of Incorporation and the Company's 2020 profitability, the Company's Remuneration Committee and the Board of Directors approved to distribute 2020 employees' profit sharing bonus of NT\$ 2,939,216 in cash, accounting for 3%, and Directors' compensation of NT\$ 979,739 in cash, accounting for 1%.

## Proposals

Proposal 1: Adoption of the 2020 Business Report and Financial Statements

Proposed by the Board of Directors

Explanation: I. The Company's 2020 parent company only financial statements and consolidated financial statements were audited by CPAs Yu, Chien-Ju and Yang, Chih-Huei of Ernst & Young Taiwan. The Company's 2020 annual business report was approved by the Audit Committee and the Board of Directors, and a review report has been issued by the Audit Committee.

II. Please refer to pages 9-12 and 14-30 of this manual for details of the above-mentioned books and forms and the accountant's audit report (Attachment I, Attachment III).

III. Please recognize.

Resolution:

Proposal 2: Adoption of the Proposal for Distribution of 2020 Profits

Proposed by the Board of Directors

Explanation: I. The 2020 earnings distribution proposal is proposed as follows:

Softstar Entertainment Inc.  
Earnings Distribution proposal  
2020

Unit: NT\$1

Unappropriated Retained Earnings of Previous years		42,072,314
Plus (less):		
Changes in ownership interests in subsidiaries	(655,233)	
Remeasurement of defined obligations	87,726	
Net income for 2020	56,896,372	
Legal reserves	(5,632,887)	
Special reserves	(9,313,921)	
Distributable earnings for the period		83,454,371
Less:		
Shareholder dividend-stocks (NT0.4 per share)	(25,225,730)	
Shareholder dividend-cash (NT\$0.2 per share)	(12,612,864)	
Unappropriated Retained Earnings		45,615,777

Chairman: Tu, Chun-Kuang

Manager: Tsay, Ming-Hong

Chief Accountant: Chuang, Jen-Chuan

- II. 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 and adjusted, 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 (NT\$ 0.4 per share) and a cash dividend of NT\$ 12,612,864 (NT\$ 0.2 per share). After the earnings distribution, the balance of the earnings at the end of the period was NT\$ 45,615,777. Payment of dividends is firstly out of the profits for 2020.
- III. The aforesaid shareholder allotment and distribution yield are based on the estimated number of shares totaling 63,064,318 that can participate in the distribution. In case that the aforesaid shareholder allotment and distribution yield have to be adjusted due to the changes in the number of shares outstanding caused by the factors such as share repurchase, transfer of treasury stock, cancellation of shares, and capital increase, the shareholders' meeting is proposed to authorize the Board of Directors to handle it at its sole discretion.
- IV. The current cash dividends are calculated pursuant to the distribution ratio and rounded down to the whole dollar amounts; the fractional amounts are aggregated and recorded as other income of the Company.
- V. The shareholders' meeting is proposed to authorize the Board of Directors to determine the base date for ex-rights and ex-dividends.
- VI. If the matters related to the above earnings distribution need to be changed by the approval of the competent authority or due to other factors, the shareholders' meeting is proposed to authorize the Board of Directors to handle them.
- VII. Please recognize.

Resolution:

## Discussions

Proposal 1: Proposal for the Company's 2020 earnings for capital increase and issuance of new stocks.

Proposed by the Board of Directors

Explanation: I. The shareholders' meeting is proposed to appropriate NT\$ (the same below) 25,225,730 from distributable earnings for 2020 to increase the capital to issue 2,522,573 new shares of common stock, with a denomination of NT\$ 10 yuan per share.

- II. Calculation is made based on the name of the shareholders and the number of shares they hold listed in the register of shareholders on the base date of the allotment. For example, if the calculated is based on the number of shares totaling 63,064,318 that can participate in the allotment so far, 40 shares would be allotted for every thousand shares in case of capital increase by earnings.
- III. In the case of odd lots in the preceding new share allotment by earnings under the preceding paragraph, the shareholders shall register to make up a share within 5 days from the date of the transfer of the shares; or otherwise the odd lots will be converted into cash according to their denomination (rounded down to a New Taiwan dollar) and the remaining shares are to be subscribed as per their denomination by specific shareholders with whom the Chairman is to negotiate. For the shareholders who participate in the book-entry distribution of shares, the odd lots amount will be used as a fee for handling the book-entry distribution.
- IV. In case that the aforesaid dividend rate has to be adjusted thereafter due to the changes in the number of shares outstanding caused by the factors such as share repurchase, transfer of treasury stock, cancellation of shares, and capital increase, the shareholders' meeting is proposed to authorize the Board of Directors to handle it at the sole discretion.
- V. The rights and obligations of the shares newly issued are the same as original shares, and the shares issued are not physical.
- VI. After the proposal is approved by the shareholders' meeting and the competent authority, the Board of Directors is authorized to set a base date for capital increase.
- VII. If any of the above-mentioned issues related to the issuance of new shares are changed upon the approval of the competent authority or due to other factors, the shareholders' meeting is proposed to authorize the Board of Directors to handle them.
- VIII. Please make the resolution.

Resolution:



Proposal 2: Amendments to the “Articles of Incorporation”.

Proposed by the Board of Directors

Explanation: I. Revised in response to the demand of the Company’s operation.

II. For the comparison table of provisions before and after the amendment of the "Articles of Association", please refer to pages 31-34 of this manual (Attachment 4).

III. Please make the resolution.

Resolution:

Proposal 3: Amendments to the “Rules and Procedures of Shareholders’ Meeting.

Proposed by the Board of Directors

Explanation: I. With reference to the Securities and Counter-Trade Center Letter No. 11000519042 dated February 9, 2021 from the Securities and Exchange Center of the Republic of China, it is proposed to amend some provisions of the "Rules of Procedure of the Board of Shareholders". For the comparison table of the provisions before and after amendment, please refer to pages 35 of this manual (Attachment 5).

II. Please make the resolutions.

Resolution:

Proposal 4: Proposal of Release the Prohibition on Directions and Representatives from Participation in Competitive Business.

Proposed by the Board of Directors

Explanation: I. In Accordance with Article 209 of the Company Law, the cancellation of the prohibition on directors’ business competition should be approved by the shareholders’ meeting.

II. For the operational strategy needs, without affecting the normal business of the Company and without compromising the interests of the Company, the shareholders meeting is proposed to release the prohibition in competitive business for the following Directors and the representative:

Title	Name	Concurrent Position
Chairman	Tu, Chun-Kuang	Chairman, Uniplus Electronics Co., Ltd., Director, Kyle Aiwen Wine International Co., Ltd.
Representative Director	Hsieh, Fang-Shu	Legal Director Representative, Uniplus Electronics Co., Ltd.
Independent Director	Tsai.Cheng-Yun	Independent Director, Chander Electronics Corp.

III. Please make the resolution.

Resolution:

Proposal 5: The Company's disposal of the equity of Softstar Technology (Beijing) Co., Ltd. and the intellectual property rights of Sword and Fairy (only in mainland China). Proposed by the Board of Directors

Notes: I. In response to the cross-strait business and long-term strategic development of the Group, the Company intends to dispose of the 49% equity of Softstar Technology (Beijing) Co., Ltd indirectly held by the Company (hereinafter referred to as Beijing Softstar) and the intellectual property rights of Sword and Fairy (only in mainland China) (hereinafter referred to as Sword and Fairy China IP) in the following ways:

1. Transfer the equity of Beijing SoftStar and Sword and Fairy China IP at a total transaction price of not less than NT \$2.2 billion (about RMB 505 million); We have requested Diwan Financial Advisory Services Co., Ltd. to issue a valuation report and ITrust & Co., Certified Public Accounts to issue a reasonable opinion on the price respectively.
  2. Or to authorize Sword and Fairy China IP to a third party through a long-term exclusive authorization method.
- II. In accordance with Article 185 of the Company Law, the general meeting of shareholders is proposed to pass the case, and all appropriate and necessary actions and procedures related to the case should be implemented, including but not limited to signing, negotiating, modifying, and supplementing this case on behalf of the Company and its subsidiaries. Relevant contracts or documents, as well as other related matters that should be handled, are proposed to authorize the Company's board of directors to resolve transaction objects, prices and handle related matters after the resolutions of the Company's shareholders' meeting are passed. The Board of Directors of the Company should be authorized to handle the case at the request of the competent authority or if it is necessary to amend the case in the light of objective environmental factors.
- III. Please make the resolution.

Resolution:

## **Questions and Motions**

## **Meeting Adjourned**

## Overview of 2020 Operations and 2021 Operational Plan

In light of continuous collaboration with cross-Strait first tier manufacturers in game development, and film and television license, the Company's well-known IPs of "Sword and Fairy" and "Xuan Yuan Sword" have been successfully released in China, Taiwan, and other foreign countries. In addition to continued revenue contribution from "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains (Mobile)" and "Richman 10 Single Player Game on Mobile" (Steam platform), "Xuan Yuan Sword: Source of Sword (Mobile)" and "Xuan Yuan Sword 7 Single Player Game" were released in 2020 as well. The mobile games of Legend of Sword series, Xuan Yuan Sword series, and Richman series as well as their film and television licenses are part of the revenue. In the future, the Company will strengthen the IP operations of "Sword and Fairy," "Xuan Yuan Sword," "Richman," "Stardom," "Tun Town," and "Empire of Angels" through the development and operations of mobile games, single player games, and online games, and invest in the fields of audiovisual and cultural creativity. Through licensing to and cooperation with first-tier large-scale companies from Taiwan and mainland China, the Company may ensure that the products of Softstar will never miss out on opportunities in any field or platform, and it will maintain its high investment and quality standards while gaining support from markets and players.

The Company is leading the Chinese gaming market in Mainland China, Taiwan, and Hong Kong. It has established a solid foundation in product development, marketing channels, game operations and IP licensing, and is actively entering the digital content market. Details of 2020 operating performance and 2021 operation prospects are as follows:

### I. Business results for 2020

#### (I) Implementation achievements of the 2020 Business Plan:

The Company's 2020 consolidated operating income was NT\$ 545,369 thousand.

#### (II) Budget execution and revenue & expenditure:

Unit: Thousand NT\$

Item		2020 Actual Amount
Operating revenue		545,369
Operating costs		(89,939)
Gross profit (loss)		455,430
Operating expenses		(317,326)
Operating income		138,104
Non-Operating revenue and expenditures		(44,337)
Pre-tax net profits		93,767
Income tax expenses		(37,355)
Net profits of the period		56,412
Net profit (loss) attributable to:	Owners of the Parent Company	56,896
	Non-controlling interests	(484)

(III) Profitability analysis:

Item	2020
Return on total assets	4.77%
Return on total stockholder's equity	6.73%
Operating income to capital	21.90%
Pretax income to capital	14.87%
Net income to sales	10.34%
Earnings per share after tax (NT\$)	0.91

(IV) Research and Development:

The Company is committed to the continual development of self-made products, including mobile games, standalone games, and online game development for "Sword and Fairy", "Xuan Yuan Sword", "Stardom", "Richman", "Empire of Angels", and "Tun Town". In 2020, a total of NT\$ 166,552 thousand was invested in research and development, accounting for 52% of the Company's operating expenses.

II. Overview of 2020 Business Plan

(I) Operation guidelines

◎ Research and development of games

• Single player games:

Due to the innovation of its operations and its sales model, the Company's single player game created a historical sales record of over one million sets across the Strait when "Sword and Fairy 5" was launched in 2011. The Company continued to invest in the development of single player games. In 2013, "Sword and Fairy 5: Prequel" and "Xuan Yuan Sword 6" were released. In 2015, "Xuan Yuan Sword: the Gate of Firmament" and "Sword and Fairy 6" were released. In 2016, "Empire of Angels 4," was released. In 2017, "Xuan Yuan Sword: the Gate of Firmament PS4 and BOX Edition" (global) were released, and in 2019, "Empire of Angels 4 PS4 Edition" (global) and "Richman 10" were released. In 2017, we invested in the development of the new generation "Sword and Fairy 7" and "Xuan Yuan Sword 7" single player games. At present, "Sword and Fairy 7" and "Xuan Yuan Sword 7" have been at the later stage of research and development. In 2021, "Empire of Angels 4 switch and PS4 Edition", "Xuan Yuan Sword 7 PS4 and XBOX Edition" (Europe and America), "Richman 10 switch, PS and XBOX Edition" (Asia) and "Paladin's Inn 2 Single Player Game" will be released.

• Mobile games:

In 2020, "Sword and Fairy: Nine Wilds (Mobile)" was released. In addition, "Stardom: Bright Love (Mobile)" has been at the later stage of research and development. The Company will continue to devote to research and development, establish cooperation with other developers by licensing in terms of mobile game

development, and expand cooperation with various platforms to increase revenue and profit.

◎ IP licensing and pan-entertainment authorization cooperation

Develop new games, TV shows, movies, internet dramas, stage plays, animations, and distribute novels or comics through licensing or collaboration. In 2020, the main product released was "Xuan Yuan Sword: Dragon Dances in Clouds and Mountains" mobile game, "Sword and Fairy Mobile Edition" developed by Kunlun, and "Xuan Yuan Sword: Source of Sword (Mobile)" developed by CMGE. 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 "Xuan Yuan Sword: Source of Sword (Mobile)", "Yuan Sword: Dragon Dances in Clouds and Mountains (Mobile)" and "Yakuza."

(II) Projected sales

It is expected to launch several mobile games and single player games in 2021, as well as increase the licensing revenue which can assist in the Company's revenue this year.

(III) Major operations & sales policies

- ◎ Actively expand the Mainland China and overseas markets, and 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.

III. Future development strategies of the Company

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

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

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

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

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

Best wishes

to all shareholders

Chairman: Tu, Chun-Kuang

Manager: Tsay, Ming-Hong

Chief Accountant: Chuang, Jen-Chuan

**Softstar Entertainment Inc.**  
**Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2020 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 Law, we hereby submit this report.

Sincerely

2021 Annual Meeting of Shareholders

Convener of the Audit Committee: Hung, Pi-Lien

April 14, 2021

**Auditor Report of Independent Auditors**

To SOFTSTAR ENTERTAINMENT INC.

**Opinion**

We have audited the accompanying consolidated balance sheets of SOFTSTAR ENTERTAINMENT INC. (the “Company” ) and its subsidiaries as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements” ).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on these matters.



### Revenue Recognition –Royalties

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

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

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

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

### Revenue Recognition –Virtual Items

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

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

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

2. Obtaining the game credit consumption data and revenue calculation sheets for each game, testing samples by confirming the correctness of the calculations, obtaining the recharge records, the game credit consumption records, and the downloaded revenue reports for each platform, and vouching to the calculation sheets of the Company and its subsidiaries' accounts.
3. Obtaining the estimation tables for the life cycle of the gamers to confirm the rationality of the allocation and recognition of revenue of virtual items.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2020 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of

such communication.

**Other Matter**

The Company has prepared its standalone financial statement for the years ended December 31, 2020 and 2019 with an unqualified opinion and an unqualified opinion with emphasis of matter from us.

Yu, Chien-Ju

Yang, Chih-Huei

Ernst & Young, Taiwan

March 12, 2021

**Notice to Readers**

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		Liabilities and Equity	Notes	As of	
		December 31, 2020	December 31, 2019			December 31, 2020	December 31, 2019
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4 and 6	\$238,201	\$171,579	Contract liabilities, current	4 and 6	\$27,010	\$47,690
Contract assets, current	4 and 6	53,217	72,418	Accounts payable		74,145	91,389
Notes receivable, net	4	957	1,783	Accounts payable-related parties	7	-	36,437
Other notes receivable-related parties, net	4 and 7	-	3,123	Other payables	6	45,529	71,248
Accounts receivable, net	4 and 6	150,476	109,224	Other payables-related parties	7	-	67
Accounts receivable-related parties, net	4, 6 and 7	-	11	Current income tax liabilities	4 and 6	14,779	17,549
Other receivables	4	189	24	Lease liabilities, current	4, 6 and 7	11,080	25,430
Other receivables-related parties	4 and 7	5	1,341	Current portion of long-term borrowings	4, 6 and 8	65,919	50,350
Current income tax assets	4	556	4,149	Other current liabilities		1,133	1,314
Inventories, net	4 and 6	645	1,685	<b>Total current liabilities</b>		<b>239,595</b>	<b>341,474</b>
Prepayment	7	30,237	51,869				
Other financial assets, current	8	14,033	1,493	<b>Non-current liabilities</b>			
<b>Total current assets</b>		<b>488,516</b>	<b>418,699</b>	Long-term borrowings	4, 6 and 8	65,399	57,392
				Deferred tax liabilities	4 and 6	40	1,377
<b>Non-current assets</b>				Lease liabilities, non-current	4 and 6	17,965	12,459
Financial assets at fair value through other comprehensive income, non-current	4 and 6	63,315	55,992	Other non-current liabilities		313	313
Investments accounted for using the equity method	4 and 6	542,008	628,614	Net defined benefit liabilities	4 and 6	20,897	20,986
Contract assets, non-current	4 and 6	25,842	3,999	<b>Total non-current liabilities</b>		<b>104,614</b>	<b>92,527</b>
Property, plant and equipment, net	4 and 6	8,147	12,070				
Right-of-use assets	4 and 6	29,147	37,891	<b>Total liabilities</b>		<b>344,209</b>	<b>434,001</b>
Intangible assets	4 and 6	5,229	8,412				
Deferred tax assets	4 and 6	18,046	33,969	<b>Equity attributable to the parent company</b>	4 and 6		
Refundable deposits		8,551	7,999	Common stock		630,643	492,945
Prepayment for investments		1,296	1,296	Additional paid-in capital		112,360	162,992
Other financial assets, non-current	8	27,000	30,000	Retained earnings			
<b>Total non-current assets</b>		<b>728,581</b>	<b>820,242</b>	Legal reserve		47,123	14,582
				Special reserve		281,771	129,557
				Unappropriated earnings		98,402	325,404
				Other components of equity		(297,625)	(320,583)
				<b>Total equity attributable to the parent company</b>		<b>872,674</b>	<b>804,897</b>
				<b>Non-controlling interests</b>		<b>214</b>	<b>43</b>
				<b>Total equity</b>		<b>872,888</b>	<b>804,940</b>
<b>Total assets</b>		<b>\$1,217,097</b>	<b>\$1,238,941</b>	<b>Total liabilities and equity</b>		<b>\$1,217,097</b>	<b>\$1,238,941</b>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2020 and 2019

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

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

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

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

Description	Retained Earnings					Others Components of Equity						
	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 Employee Compensation	Treasury Share	Total	Non-Controlling Interests	Total
Balance as of January 1, 2019	\$477,945	\$179,197	\$1,925	\$15,648	\$126,566	\$(7,874)	\$(149,537)	\$(157,500)	\$-	\$486,370	\$116	\$486,486
Appropriation and distribution of 2017 retained earnings												
Legal reserve	-	-	12,657	-	(12,657)	-	-	-	-	-	-	-
Special reserve	-	-	-	113,909	(113,909)	-	-	-	-	-	-	-
Net income (loss) in 2019	-	-	-	-	326,039	-	-	-	-	326,039	(2,222)	323,817
Other comprehensive income (loss) in 2019	-	-	-	-	328	9,154	(133,514)	-	-	(124,032)	-	(124,032)
Total comprehensive income (loss)	-	-	-	-	326,367	9,154	(133,514)	-	-	202,007	(2,222)	199,785
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(19)	(19)
Changes in ownership interests in subsidiaries	-	(1,205)	-	-	(963)	-	-	-	-	(2,168)	2,168	-
Share-based payment transactions	15,000	(15,000)	-	-	-	-	-	118,688	-	118,688	-	118,688
Balance as of December 31, 2019	\$492,945	\$162,992	\$14,582	\$129,557	\$325,404	\$1,280	\$(283,051)	\$(38,812)	\$-	\$804,897	\$43	\$804,940
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

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, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

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

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



**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, 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and its financial performance and cash flows for the years ended December 31, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**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 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon we do not provide a separate opinion on these matters.

Revenue Recognition –Royalties

The Company’s royalties are revenue from licensing its solely developed intellectual property (IP) to others that grant use in game development, game operations and film content. As the

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

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

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

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

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

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

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

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

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

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

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

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

financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2020 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 12, 2021

**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, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		Liabilities and Equity	Notes	As of	
		December 31, 2020	December 31, 2019			December 31, 2020	December 31, 2019
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4 and 6	\$167,540	\$114,752	Contract liabilities, current	4 and 6	\$6,039	\$24,805
Contract assets, current	4, 6 and 7	62,573	72,418	Accounts payable		69,729	82,875
Accounts receivable, net	4 and 6	140,380	99,065	Accounts payable-related parties	7	2,686	43,564
Accounts receivable-related parties, net	4, 6 and 7	31,277	28,740	Other payables	6	37,698	61,846
Other receivables	4	3	-	Other payables-related parties	7	256	-
Other receivables-related parties	7	1,070	9,572	Current income tax liabilities	4 and 6	14,779	17,549
Current income tax assets		556	4,149	Lease liabilities, current	4, 6 and 7	9,388	20,496
Prepayment		19,745	46,246	Current portion of long-term borrowings	4, 6 and 8	65,919	50,350
Other financial assets, current	8	14,033	21	Other current liabilities		1,135	1,330
<b>Total current assets</b>		<u>437,177</u>	<u>374,963</u>	<b>Total current liabilities</b>		<u>207,629</u>	<u>302,815</u>
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
Financial assets at fair value through other comprehensive income, non-current	4 and 6	50,183	41,274	Long-term borrowings	4, 6 and 8	65,399	57,392
Investments accounted for using the equity method	4 and 6	580,780	657,713	Deferred tax liabilities	4 and 6	40	1,377
Contract assets, non-current	4 and 6	25,842	3,999	Lease liabilities, non-current	4 and 6	8,983	9,832
Property, plant and equipment	4 and 6	7,465	10,396	Net defined benefit liabilities	4 and 6	20,897	20,986
Right-of-use assets	4 and 6	18,636	30,348	Other noncurrent liabilities	4 and 6	-	2,540
Intangible assets	4 and 6	2,141	10,230	<b>Total non-current liabilities</b>		<u>95,319</u>	<u>92,127</u>
Deferred tax assets	4 and 6	18,046	33,969	<b>Total liabilities</b>		<u>302,948</u>	<u>394,942</u>
Refundable deposits		7,056	5,651	<b>Equity</b>			
Prepayment for investments		1,296	1,296	Common stock	4 and 6	630,643	492,945
Other financial assets, non-current	4 and 8	27,000	30,000	Additional paid-in capital	4 and 6	112,360	162,992
<b>Total non-current assets</b>		<u>738,445</u>	<u>824,876</u>	Retained earnings	4 and 6		
				Legal reserve		47,123	14,582
				Special reserve		281,771	129,557
				Unappropriated earnings		98,402	325,404
				Other components of equity		(297,625)	(320,583)
				<b>Total equity</b>		<u>872,674</u>	<u>804,897</u>
<b>Total assets</b>		<u>\$1,175,622</u>	<u>\$1,199,839</u>	<b>Total liabilities and equity</b>		<u>\$1,175,622</u>	<u>\$1,199,839</u>

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2020 and 2019

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

Item	Notes	For the Years Ended December 31,	
		2020	2019
<b>Net sales</b>	4, 5, 6 and 7	\$428,552	\$377,307
<b>Cost of goods sold</b>	7	(61,954)	(142,888)
<b>Gross profit</b>	6 and 7	366,598	234,419
<b>Operating expenses</b>			
Sales and marketing expenses		(26,808)	(62,593)
General and administrative expenses		(70,472)	(101,915)
Research and development expenses		(166,552)	(260,016)
Expected credit losses	6	34,672	(61,000)
Subtotal		(229,160)	(485,524)
<b>Operating income</b>		137,438	(251,105)
<b>Non-operating income and expenses</b>			
Other income	6	22,432	5,463
Other gains and losses	6	(1,646)	(12,287)
Finance costs	6	(2,660)	(4,212)
Share of profit or loss of associates and joint ventures accounted for using equity method	6	(61,495)	582,144
Subtotal		(43,369)	571,108
<b>Profit before income tax</b>		94,069	320,003
<b>Income tax expense</b>	4 and 6	(37,173)	6,036
<b>Net income</b>		56,896	326,039
<b>Other comprehensive income (loss)</b>	4 and 6		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		89	328
Unrealized gains or losses from financial assets at fair value through other comprehensive loss		8,897	(111,730)
Financial assets at fair value through other comprehensive income of associates and joint ventures accounted for using equity method		(1,586)	(21,784)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of foreign operations		(16,625)	9,154
Unrealized gains or losses from available-for-sale financial assets			
Unrealized gains or losses from available-for-sale financial assets of associates and joint ventures accounted for using equity method			
<b>Total other comprehensive loss, net of tax</b>		(9,225)	(124,032)
<b>Total comprehensive income</b>		\$47,671	\$202,007
<b>Earnings per share (NTD)</b>	4 and 6		
Earnings per share-basic		\$0.91	\$5.26
Earnings per share-diluted		\$0.90	\$5.19

The accompanying notes are an integral part of the 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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Description	Retained Earnings					Others Components of Equity				
	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, 2019	\$477,945	\$179,197	\$1,925	\$15,648	\$126,566	\$(7,874)	\$(149,537)	\$(157,500)	\$-	\$486,370
Appropriation and distribution of 2018 retained earnings										
Legal reserve	-	-	12,657	-	(12,657)	-	-	-	-	-
Special reserve	-	-	-	113,909	(113,909)	-	-	-	-	-
Net income in 2019	-	-	-	-	326,039	-	-	-	-	326,039
Other comprehensive income (loss) in 2019	-	-	-	-	328	9,154	(133,514)	-	-	(124,032)
Total comprehensive income (loss)	-	-	-	-	326,367	9,154	(133,514)	-	-	202,007
Changes in ownership interests in subsidiaries	-	(1,205)	-	-	(963)	-	-	-	-	(2,168)
Share-based payment transactions	15,000	(15,000)	-	-	-	-	-	118,688	-	118,688
Balance as of December 31, 2019	\$492,945	\$162,992	\$14,582	\$129,557	\$325,404	\$1,280	\$(283,051)	\$(38,812)	\$-	\$804,897
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

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Description	For the Years Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net income before tax	\$94,069	\$320,003
Adjustments for:		
Depreciation	21,300	24,962
Amortization	11,189	8,518
Expected credit losses	(34,672)	61,000
Interest expense	2,660	4,212
Interest income	(154)	(963)
Share-based payments expense	31,642	118,688
Share of net loss of associates and joint ventures accounted for using equity method	61,495	(582,144)
Gain disposal of property, plant and equipment	(52)	(56)
Gain on disposal of intangible assets	(576)	-
Gain on disposal of investment	-	(18)
Impairment loss from non-financial assets	-	9,426
Loss on lease modification	23	-
Changes in operating assets and liabilities:		
Contract assets	(11,998)	14,226
Accounts receivable, net	890	(78,770)
Accounts receivable-related parties, net	(2,537)	(13,039)
Other receivables	(3)	183
Other receivables-related parties	3,971	(1,263)
Prepayment	27,324	30,537
Contract liabilities	(18,766)	10,830
Accounts payable	(13,146)	24,866
Accounts payable-related parties	(40,878)	42,143
Other payables	(23,763)	23,713
Other payables-related parties	256	(2,849)
Other current liabilities	(195)	255
Net defined benefit liabilities	-	86
Cash provided by operations	<u>108,079</u>	<u>14,546</u>
Interest received	154	963
Interest paid	(2,672)	(4,175)
Income tax paid	(22,587)	(23,177)
Net cash provided by/(used in) operating activities	<u>82,974</u>	<u>(11,843)</u>
Cash flows from investing activities:		
Financial assets at fair value through other comprehensive income financial assets capital reduction and return of stock	(12)	-
Acquisition of investments accounted for using equity method	(13,500)	(25,000)
Increase in prepayments for investments	-	(1,296)
Investments accounted for using the equity method capital reduction and return of stock	4,530	37,553
Acquisition of property, plant and equipment	(1,657)	(1,080)
Proceeds from disposal of property, plant and equipment	52	72
Increase in guarantee deposits paid	(1,405)	-
Acquisition of intangible assets	(3,156)	(12,446)
Proceeds from disposal of intangible assets	632	-
Other financial assets	(11,012)	36,620
Net cash (used in)/provided by investing activities	<u>(25,528)</u>	<u>34,423</u>
Cash flows from financing activities:		
Increase in short-term borrowings	-	65,000
Decrease in short-term borrowings	-	(95,000)
Proceeds from long-term borrowings	80,000	80,000
Repayment of long-term borrowings	(56,424)	(56,860)
Cash dividends	(9,858)	-
Treasury stock transactions	(1,023)	-
Repayment of the principal portion of lease liabilities	(17,353)	(20,928)
Net cash used in financing activities	<u>(4,658)</u>	<u>(27,788)</u>
Net decrease in cash and cash equivalents	52,788	(5,208)
Cash and cash equivalents at beginning of year	114,752	119,960
Cash and cash equivalents at end of year	<u>\$167,540</u>	<u>\$114,752</u>

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



Softstar Entertainment Inc.

Comparison Table for Amendments to “Articles of Incorporation” before and after the Amendment (23rd Amendment)

Article	After Amendment	Before Amendment	Explanation
Article 6	<p>The Company's total authorized capital is NT\$1.3 billion, which is divided into 130 million shares. Each share carries a par value of NT\$10, and the Board of Directors has been authorized to issue them in installments. <u>Some shares may be preferred stocks.</u> The NT\$100 million shares of the capital in the preceding paragraph are reserved for stock options including preferred stocks with options, company bonds with stock options and employee stock options, totaling ten million shares. Each share carries a par value of NT\$10 and may be issued in accordance with the resolution of the Board of Directors.</p>	<p>The Company's authorized capital is NT\$1.3 billion, which is divided into 130 million shares. Each share carries a par value of NT\$10, and the Board of Directors has been authorized to issue them in installments. The NT\$100 million shares of the capital in the preceding paragraph are reserved for stock options including preferred stocks with options, company bonds with stock options and employee stock options, totaling ten million shares. Each share carries a par value of NT\$10 and may be issued in accordance with the resolution of the Board of Directors.</p>	<p>Revised in accordance with the Company's operations.</p>
Article 6-7	<p><u>The rights, obligations, and important issuance terms of the Company's preferred stocks are as follows:</u></p> <p><u>I. 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 (including undistributed earnings adjusted), shall be set aside for the statutory surplus reserves, except when the cumulative statutory surplus has reached the paid-in capital of the Company. Then, it shall set aside or reverse special reserve according to the regulations, and the balance shall be used to pay the distributable dividends on the preferred shares.</u></p> <p><u>II. The dividend rate of preferred shares is capped at 4% per annum and is calculated based on the issuance price. Dividends are to be distributed in the form of cash each year. Once the Company's financial reports are ratified in the annual shareholders' meeting, the Board of Directors will set the record date for the distribution of previous year's dividends payable. The number of annual dividends for the year and the annual recovery of dividends are calculated based on the ratio of actual issuance days to total days of the year.</u></p> <p><u>III. The Company has discretion over the distribution of preferred share dividends. If the Company did not generate any or sufficient profits during the year for the distribution of preferred share dividends, it may resolve not to pay out the dividends and preferred shareholders have no rights to object. If the preferred shares issued are of the non-accumulative type, the undistributed dividends or the deficit of dividends will not be accumulated for deferred payment in the years with earnings in the future.</u></p> <p><u>IV. Unless the shareholders of preferred shares receive dividends as specified in Subparagraph 2 of this Article, if the preferred shares are in a non-participating type, they shall not participate in distribution of cash and allotted capital from earnings and capital reserve for</u></p>	<p>New article</p>	<p>In conjunction with the Company's operation, the rights, obligations and important issuance terms of the Company's preferred shares are stipulated in the Articles of Association.</p>

Article	After Amendment	Before Amendment	Explanation
	<p><u>common shares.</u></p> <p><u>V.. When the Company issues new shares in cash, the shareholders of preferred shares shall have the same priority on option as shareholders of common shares.</u></p> <p><u>VI. The distribution priority for shareholders of preferred shares on the residual property of the Company is ahead of shareholders of ordinary shares and equal to the preferential order of shareholders of all preferred shares issued by the Company, and the preferential order is only lower than general creditors.</u> <u>Yet the distribution shall not exceed the preferred shares issuance amount.</u></p> <p><u>VII. Holders of preferred shares are entitled to voting rights or election rights at the shareholders' meeting, and may also be elected as directors.</u></p> <p><u>VIII. If the issued preferred shares by the Company are convertible preferred ones, they shall not be converted within one year since the date of issuance. The Board of Directors shall be authorized to formulate the convertible period according to actual conditions. Based on the issuance terms, holders of convertible preferred shares may apply to convert all or a part of preferred shares held at the conversion ratio of one preferred share for one common share (The conversion ratio is 1:1). After convertible preferred shares are converted into common shares, their rights and obligations are the same as common shares. Dividend distribution at the conversion year shall be calculated based on the ratio of actual issuance days to total days of the conversion year. However, preferred shareholders who convert their shares prior to the ex-dividend date cannot participate in the preferred share dividends of that year and all subsequent year. Nevertheless, they may participate in the distribution of profit and capital surplus for common shares.</u></p> <p><u>IX. Preferred shares have no maturity dates and preferred shareholders have no rights to request the Company to redeem those shares. However, the Company may redeem all or a part of preferred shares in cash, by compulsory conversion into new shares or by other means permissible by laws based on the issuance price and by relevant issuance terms at any time starting from the date after the shares have been issued for three years. The unredeemed preferred shares continue to have the rights and obligations stipulated in this Article until they are redeemed by the Company. In the year of redeeming preferred shares, the dividends that shall be distributed until the redemption date shall be distributed based on the ratio of actual issuance days to total</u></p>		

Article	After Amendment	Before Amendment	Explanation
	<p><u>days of the year if the shareholders' meeting of the Company decides to distribute dividends.</u></p> <p><u>X. The Board of Directors is authorized to list the preferred shares or the common shares converted at the TPEX depending on the Company and market conditions.</u></p> <p><u>The Board of Directors is authorized to set the name, issuance date and terms, and other relevant matters of the preferred shares at the time of issuance based on the market conditions and investors' subscription interests, in accordance with the Company's Articles of Incorporation and applicable laws and regulations.</u></p>		
Article 7	All of the shares issued by the Company shall be name-bearing, numbered and signed or sealed by at least three of the Company's Directors. Shares can be issued by the competent authority or the bank of the competent authority's approved share-issuing institution after the shares are recorded. The Company may be exempted from printing any share certificate for the shares issued, but shall appoint a centralized securities custody institution to make registration of such shares. The same applies to securities.	All of the shares issued by the Company shall be name-bearing, numbered and signed or sealed by at least three of the Company's Directors. Shares can be issued by the competent authority or the competent authority's approved share-issuing institution after the shares are recorded. The Company may be exempted from printing any share certificate for the shares issued, but shall appoint a centralized securities custody institution to make registration of such shares. The same applies to securities.	The amendments are made in line with the law.
Article 11	The Company's shareholders' meeting falls in the following categories: I.General shareholders' meetings, held by the Board of Directors within 6 months after the end of each fiscal year. II.Extraordinary shareholders' meetings, convened in accordance with relevant laws and regulations when necessary. The preferred stock shareholders' meeting is convened by the Board of Directors according to laws when necessary.	The Company's shareholders' meeting falls in the following categories: I.General shareholders' meetings, held by the Board of Directors within 6 months after the end of each fiscal year. II.Extraordinary shareholders' meetings, convened in accordance with relevant laws and regulations when necessary.	Revised in accordance with the Company's operations.
Article 17	(Omitted) The Company shall purchase liability insurance for the directors during their term of office, which shall cover the directors' liabilities arising from the performance of their duties.	(Omitted) The Company may purchase liability insurance for the Directors for carrying out the scope of their responsibilities during the terms of office.	Amendments are made in compliance with Article 39 of the "Corporate Governance Best Practice Principles for Public and Listed Companies".
Article 29-1	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 (including undistributed earnings adjusted), shall be set	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 (including undistributed earnings adjusted), shall be set	Revised in accordance with the

Article	After Amendment	Before Amendment	Explanation
	<p>aside for the statutory surplus reserves, except when the cumulative statutory surplus has reached the paid-in capital of the Company. Then, it shall set aside or reverse special reserve according to the regulations, and the balance shall be used to pay the distributable dividends on the preferred shares. Subsequently, after the balance is added with the unallocated earnings from previous years, the Board of Directors shall plan the earnings distribution and forward a proposal to the shareholders meeting for approval.</p> <p>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.</p>	<p>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, the Board of Directors shall plan the earnings distribution and forward a proposal to the shareholders meeting for approval.</p> <p>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.</p>	Company's operations.
Article 34	<p>The Articles of Incorporation were established on July 28, 1998. The 1st amendment was made on September 21, 1998. (The following is omitted.) ... The 22nd amendment was made on June 29, 2018. <u>The 23rd amendment was made on May 31, 2021.</u></p>	<p>The Articles of Incorporation were established on July 28, 1998. The 1st amendment was made on September 21, 1998. (The following is omitted.) ... The 22nd amendment was made on June 29, 2018.</p>	Amendment dates are added

Softstar Entertainment Inc.

Comparison Table for Amendments to the “Rules and Procedures of Shareholders' Meetings” before and after the Amendment

After Amendment	Before Amendment	Explanation
<p>VIII. The chair shall call the meeting to order at the appointed meeting time, as well as announcing information such as the number of shares with no voting right and shares present. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.</p> <p>When, prior to termination of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may submit the tentative resolution for a vote to the shareholders' meeting pursuant to Article 174 of the Company Act.</p>	<p>VIII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.</p> <p>When, prior to termination of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may submit the tentative resolution for a vote to the shareholders' meeting pursuant to Article 174 of the Company Act.</p>	<p>Handled in accordance with the Order No. 11000519042 issued by Taipei Exchange on February 9, 2021</p>
<p>XVI. Unless otherwise specified in the Company Act and the Articles of Incorporation, resolutions shall be adopted by a majority of the votes represented by the attending shareholders.</p> <p>The election of directors at the shareholders' meeting, if any, shall be handled according to the Rules on Director Election made by the Company, and the voting results shall be announced on the spot including the list of elected directors and the numbers of votes, as well as the list of unelected directors and the respective number of votes received.</p>	<p>XVI. Unless otherwise specified in the Company Act and the Articles of Incorporation, resolutions shall be adopted by a majority of the votes represented by the attending shareholders.</p>	<p>Handled in accordance with the Order No. 11000519042 issued by Taipei Exchange on February 9, 2021</p>

**Softstar Entertainment Inc.**  
**Articles of Incorporation (Before Amendment)**

Chapter 1 General Provisions

- Article 1-1 The Company was organized in accordance with the Company Act. (English name is SOFTSTAR ENTERTAINMENT INC.)
- Article 2 The Company's scope of business is as follows:
- (I) I599990 Other Designing.
  - (II) F401010 International Trade.
  - (III) I301010 Software Design Services.
  - (IV) F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles.
  - (V) F109070 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles.
  - (VI) JE01010 Rental and Leasing Business.
  - (VII) F118010 Wholesale of Computer Software.
  - (VIII) F218010 Retail Sale of Computer Software.
  - (IX) F113050 Wholesale of Computing and Business Machinery Equipment.
  - (X) F213030 Retail Sale of Computing and Business Machinery Equipment.
  - (XI) I301020 Data Processing Services
  - (XII) CC01120 Data Storage Media Manufacturing and Duplicating.
  - (XIII) CC01080 Electronic parts and Components Manufacturing.
  - (XIV) I301030 Digital Information Supply Services.
- Article 3 The Company set up its headquarters in Taipei City. When necessary, it may set up branch offices domestically or abroad with a resolution by the Board of Directors.
- Article 4 The Company may engage in other companies. The total amount of the Company's investment in other companies is exempted from the prohibition against exceeding 40% of the paid-up capital described in Article 13 of the Company Act.
- Article 5 The Company may endorse/guarantee.

## Chapter 2 Shares

- Article 6 The Company's authorized capital is NT\$1.3 billion, which is divided into 130 million shares. Each share carries a par value of NT\$10, and the Board of Directors has been authorized to issue them in installments. The NT\$100 million of the capital in the preceding paragraph are reserved for stock options including preferred stocks with options, company bonds with stock options and employee stock options, totaling ten million shares. Each share carries a par value of NT\$10 and may be issued in accordance with the resolution of the Board of Directors.
- Article 6-1 (deleted)
- Article 6-2 (deleted)
- Article 6-3 (deleted)
- Article 6-4 (deleted)
- Article 6-5 (deleted)
- Article 6-6 (deleted)
- Article 7 All of the shares issued by the Company shall be name-bearing, numbered and signed or sealed by at least three of the Company's Directors. Shares can be issued by the competent authority or the competent authority's approved share-issuing institution after the shares are recorded. The Company may be exempted from printing any share certificate for the shares issued, but shall appoint a centralized securities custody institution to make registration of such shares. The same applies to securities.
- Article 8 Stock-related affairs shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies.
- Article 9 (deleted)
- Article 10 The transfer of shares shall be suspended within 60 days prior to the convening date of a general shareholders' meeting, or within 30 days prior to the convening date of an extraordinary shareholders' meeting, or within 5 days prior to the base date fixed by the Company for distribution of dividends, bonus or other benefits.

### Chapter 3 Shareholders' Meetings

- Article 11 The Company's shareholders' meeting falls in the following categories:
- I. General shareholders' meetings, held by the Board of Directors within 6 months after the end of each fiscal year.
  - II. Extraordinary shareholders' meetings, convened in accordance with relevant laws and regulations when necessary.
- Article 12 The shareholders' meeting shall be chaired by the Chairman of the Board. In case the Chairman is on leave, the designated Director appointed by the Chairman shall act in place of the Chairman. Where the Chairman does not make such appointment, the Directors shall elect one person from among themselves to serve as chair. When the meeting is called by a person outside of the Board of Directors, the convener shall preside as the chair, and when there are two or more conveners, a person among them shall be elected to preside as the chair.
- Article 13 The general shareholders' meeting shall be convened 30 days before the day of the meeting and the extraordinary shareholders' meeting shall be convened 15 days before the date of the meeting. The shareholders shall be notified of the date, place, and convening of the meeting.
- Article 14 When a shareholder is unable to attend the shareholders' meeting, he/she may appoint a representative through a letter of proxy printed by the Company, stating the scope of authorization to the representative.
- Use of the letter of proxy shall be subject to the Company Act and the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.
- Article 15 Each shareholder of the Company is entitled to one vote per share, unless otherwise provided by applicable law or regulation.
- Article 16 Unless otherwise stated in relevant laws and regulations, resolutions of shareholders' meeting shall be agreed by the majority of votes represented by the attending shareholders or representatives who represent the majority of the total number of issued shares.



#### Chapter 4 Board of Directors, the Audit Committee, and the Manager

Article 17 The Company shall have seven Directors with three-year office term. Directors are elected and appointed by the shareholders' meeting from candidates in accordance with the candidate nomination system. Candidate(s) may continue in office if re-elected.

The number of Independent Directors shall be no less than three, and not less than one-fifth of the number of Directors. The professional qualification requirements, restrictions on shares held and concurrent positions, identification of independence, candidate nomination and election, exercising power, and other relevant requirements of the Independent Directors shall be in accordance with the regulations of the security authority.

The election of Independent Directors and non-Independent Directors shall be held together. The number of elected seats shall be calculated independently.

The total number of shares held by all Directors in the Company's registered shares shall not be less than the amount specified by the supervisory authority.

The Company shall purchase liability insurance for the Directors for carrying out the scope of their responsibilities during the terms of office.

Article 17-1 The Audit Committee in accordance with the Securities and Exchanges Act shall be comprised of all Independent Directors, whose number shall be no less than three, and one of whom will be the convener. At least one of the members shall have accounting or finance expertise.

Where an Audit Committee has been established by the Company, the provisions of the Securities and Exchange Act, the Company Act, and other laws relating to supervisors shall apply to the Audit Committee.

Article 18 Directors organize the Board of Directors, of which its functions are as follows:

- I. To provide business plans.
- II. To propose profit distribution or a plan for recovery of losses.
- III. To propose capital increase or decrease.
- IV. To formulate material chapters and the Company's organization procedures.
- V. To appoint and discharge the Company's general manager and managers.
- VI. To setup and shutdown branch institutes.
- VII. To prepare budgets and final accounts
- VIII. Other power entitled by the Company Act or the resolution of the Shareholders

meeting.

- Article 19 The Chairman shall be elected among the Directors with two-thirds or more of all Directors in attendance and the consent of the majority of the Directors present. The Chairman shall represent the Company externally.
- Article 20 The Board of Directors shall be organized by the Chairman unless otherwise provided by the Company Act. Unless otherwise provided by the Company Act, a resolution of the Board of Directors shall be adopted by the consent of a half of the Directors in attendance at the meeting where a half of the total number of Directors presents.
- Article 20-1 In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each Director no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time. In calling a meeting of the Board of Directors, a notice setting forth to each Director can be in the form of writing, e-mail, or fax.
- Article 21 If the Chairman of the Board is on leave or cannot perform his duties for some reason, the Chairman shall designate a Director to act on his behalf. If the Chairman does not designate a Director, Directors shall elect one person from among themselves to serve as chair. Directors shall attend meetings of the Board of Directors. If a Director is unavailable to attend a meeting in person, the Director may issue a power of attorney for the given meeting, but such authorization is limited to one person only.
- Article 22 (deleted)
- Article 23 When the number of Directors falls short by one-third of the total number or all Independent Directors have been dismissed, the Board of Directors shall call an extraordinary general meeting within 60 days from the date of occurrence to carry out a by-election to fill the vacancies.
- Article 24 The Company may have managerial officers. Appointment, dismissal and compensation of the managerial officers shall be decided in accordance with Article 29 of the Company Act.
- Article 24-1 The Board of Directors is authorized to decide the compensation to all Directors based on the degree of their participation in and contribution to the operations of the Company and referred at a rate consistent with general practices in the industry.
- Article 25 The general manager shall preside over the business of the Company in accordance with the resolution of the Board of Directors.

## Chapter 5 Accounting

- Article 26 The Company's fiscal year begins from January 1 to December 31. Final accounts should be processed at the end of each year.
- Article 27 In accordance with Article 228 of the Company Act, at the close of each fiscal year, the Board of Directors shall prepare the following reports and statements, which will be subsequently submitted to the annual general meeting for recognition.
- I. Business Report.
  - II. Financial Statements.
  - III. Proposal on profit distribution or a plan for recovery of losses.
- Article 28 The distribution of dividends and bonuses is based on the proportion of shares held by each shareholder. When the company has no surplus, it does not pay dividends and bonuses.
- Article 29 If the Company makes a profit in the year, at least 3% of the profit shall be allocated for employees' compensation and no more than 3 % shall be allocated for Directors' remuneration. 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.
- Article 29-1 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 (including adjusted unallocated earnings), 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, the Board of Directors shall plan the earnings distribution and forward a proposal to the shareholders' meeting for approval.
- 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.

Article 30 (deleted)

#### Chapter 6 Others

Article 31 (deleted)

Article 32 The Company's organizational structures and business rules shall be established separately.

Article 33 Any other matters not set forth in the Procedures shall be dealt with in accordance with Company Act and the relevant laws and regulations.

Article 34 The Articles of Incorporation were established on July 28, 1998. The 1st amendment was made on September 21, 1998. The 2nd amendment was made on November 17, 1998. The 3rd amendment was made on May 6, 2000. The 4th amendment was made on November 25, 1999. The 5th amendment was made on May 24, 2000. The 6th amendment was made on June 13, 2001. The 7th amendment was made on June 24, 2002. The 8th amendment was made on June 24, 2002. The 9th amendment was made on June 15, 2004. The 10th amendment was made on June 14, 2005. The 11th amendment was made on June 14, 2006. The 12th amendment was made on June 13, 2007. The 13th amendment was made on June 13, 2008. The 14th amendment was made on June 16, 2009. The 15th amendment was made on June 17, 2010. The 16th amendment was made on June 22, 2011. The 17th amendment was made on June 27, 2012. The 18th amendment was made on June 4, 2013. The 19th amendment was made on April 30, 2015. The 20th amendment was made on June 6, 2016. The 21st amendment was made on June 22, 2017. The 22nd amendment was made on June 29, 2018.

Softstar Entertainment Inc.

Chairman: Tu, Chun-Kuang

Softstar Entertainment Inc.

Rules and Procedures of Shareholders' Meetings (Before Amendment)

- I. Meetings of shareholders shall be acted upon in accordance with these rules.
- II. Shareholders (or proxies) attending the shareholders meeting shall sign on the attendance book, or turn in the sign-in card for check-in procedures.

The number of shares in attendance shall be calculated according to the shares indicated by the attendance book or sign-in cards handed.
- III. Attendance and voting at a shareholders' meeting shall be calculated based the number of shares. The calculation of the number of shares present shall be based on the attendance book or sign-in cards submitted by the shareholders and those shares whose votes are exercised in writing or by electronic form.
- IV. The location of shareholders meeting shall be this Company's current location or such other place that is convenient for shareholders to attend. The meeting shall not commence earlier than 9 a.m. or later than 3 p.m.
- V. V. When a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. In case the Chairman is on leave or for any reason unable to exercise his powers, the Vice Chairman shall act in place of the Chairman. If there is no Vice Chairman or the Vice Chairman is also on leave or for any reason unable to exercise his powers, the Chairman shall appoint one of the managing Directors to act as the chair, or if managing Directors have not been appointed, one of the Directors shall be appointed to act as the chair. Where the Chairman does not make such an appointment, the managing Directors or the Directors shall elect one person from among themselves to serve as chair.

If the chairman has not appointed a representative or the designated Director cannot perform his/her duties for some reason, the meeting chair shall be elected from among the Directors present.
- VI. The Company may appoint its attorneys, certified public accountants, or related persons to attend a Shareholders Meeting with a non-voting capacity.

The staff members who take charge of the shareholders' meeting affairs shall wear identification certificates or armbands.
- VII. The Company shall record the shareholders' meetings by audio or video and keep the recording for at least one year.
- VIII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month.

When, prior to termination of the meeting, the attending shareholders represent a majority of

the total number of issued shares, the chair may submit the tentative resolution for a vote to the shareholders' meeting pursuant to Article 174 of the Company Act.

- IX. If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors and relevant proposals shall be voted one by one. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply to a shareholders' meeting convened by a party with the power to convene that is the member of the Board of Directors.

Unless otherwise resolved at the shareholders' meeting, the chairman may not announce adjournment of the meeting unless the scheduled agenda items (including Extemporaneous Motions) set forth in the preceding two provisions of this Article are concluded.

After the meeting is adjourned, shareholders may not separately elect a chair and resume the meeting at the original or another venue.

- X. Before speaking, the attending shareholder shall complete the speaker's slip indicating the subject of speech, shareholder's account number (or the attendance card number) and account name. The sequence of speeches shall be determined by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt. Unless they have obtained the consent of the chair and the shareholder who has the floor, the chair shall stop any violation.

- XI. A shareholder may not speak more than twice on the same resolution without the chair's consent, with five minutes maximum for each speech. However, if approved by the chair, it may be extended for three minutes. The chair may stop any shareholder who violates the above rules or exceeds the scope of the agenda item.

- XII. Any legal entity designated as proxy by shareholder(s) to be present at the meeting may appoint only one representative to attend the meeting. When a corporate shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives appointed may speak on the same proposal.

- XIII. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

- XIV. When the chair considers that the discussion for a motion has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.

- XV. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. The result of the voting shall be reported and made into a record.

- XVI. Unless otherwise specified in the Company Act and the Articles of Incorporation, resolutions shall be adopted by a majority of the votes represented by the attending shareholders.

- XVII. When there is an amendment or an alternative to the same proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in

which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

- XVIII. During the process of the meeting, the chairman may announce a recess at an appropriate time. During the meeting, when an airstrike alarm, earthquake, fire or other major disaster occurs, the meeting will be terminated or suspended with attendants evacuated. After the situation is clear, the chairman may announce the meeting time as appropriate. A resolution may be adopted at a shareholders meeting to defer or resume the meeting within five days without further notice or announcement.
- XIX. The chair may direct the inspectors (or security personnel) to help maintain order at the meeting place. When inspectors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Inspectors".
- XX. The resolution matters at shareholders' meetings shall be recorded in the meeting minutes to be signed or stamped by the chair and then distributed to shareholders within 20 days after the meeting. Electronic measures or announcements may be adopted to print and distribute meeting minutes. Distribution of the meeting minutes as described in the preceding paragraph may be conducted by uploading them to the MOPS.

The meeting minutes shall accurately record the date and place of the meeting, the chair's name, the resolutions and voting results (including statistical voting power), and in case of election on directors, the votes received by each elected director. The meeting minutes shall be retained throughout the life of the Company.

- XXI. Any matters not sufficiently provided for in these Rules shall be handled in accordance with the Company Act, the Company's Articles of Incorporation, and other applicable laws or regulations.
- XXII. The Rules, along with any amendments hereto, shall be implemented after adoption by Shareholders Meetings.

The Effect of Proposed Stock Dividends in this Shareholders' Meeting on the Company's Operating Performance, Earnings Per Share, and Return on Equity:

		2021 (Estimate)
Beginning paid-in capital		NT\$ 630,643,180
Distribution of dividends in the current fiscal year (Note 1)	Cash dividend per share	0.2
	Number of shares allotted for capital transferred from surplus	0.4
	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 per share	
	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	Proposed Earnings Per Share
		Pro-forma Average Annual Return on Investment
	If capital transferred from capital reserve is not conducted	Proposed Earnings Per Share
		Pro-forma Average Annual Return on Investment
	If capital reserve has not been prepared and capital transferred from surplus is changed into distribution of cash dividends	Proposed 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 14, 2021, and calculated on the basis of 63,064,318 shares available for distribution at present; It has not yet been approved by the annual shareholders' meeting in 2021.

Note 2: The Company did not publish the 2021 financial forecasts, so it is not required to disclose the information.



Softstar Entertainment Inc.  
Shareholdings of All Directors

- I. The number of issued shares was 63,064,318 shares.
- II. Pursuant to Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the Company has set up three Independent Directors, and all Directors other than the Independent Directors have reduced the number of shares held according to the preceding paragraph to 80%. The minimum number of shares that all Directors should hold is 5,045,145 shares.
- III. The numbers of shares held by the Directors individually and by all Directors as recorded in the shareholders' register as of the closing date, April 2, 2021, is disclosed in the table below: complied with percentage required by law.

Title	Name	Shares held
Chairman	Tu, Chun-Kuang	0
Director	Angel Fund (ASIA) Investments Limited, British Cayman Islands	9,973,503
Director	Giant Stone Capital Group Corp. British Virgin Islands (BVI)	9,924
Director	KAL Holdings Corp., Samoa	2,560
Independent Director	Hung, Pi-Lien	0
Independent Director	Tsai, Cheng-Yun	0
Independent Director	Hsieh, Guo-Dong	0
Total		9,985,987