

Stock Code: 6111

大宇資訊股份有限公司

SOFTSTAR ENTERTAINMENT INC.

2023 Annual Report

The information in this annual report can be obtained from the Market Observation Post System (website:<http://mops.twse.com.tw>) and The Company's Website (website: <http://group.softstar.com.tw>)

Published on April 29, 2024

SOFTSTAR ENTERTAINMENT INC.

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- V. **Overseas Securities Exchange Where Securities are Listed and Method of Inquiry:** None
- VI. **Corporate Website:** <http://group.softstar.com.tw>

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Chapter 1. Letter to Shareholders

The Company has established well-known IPs such as "Legend of Sword and Fairy," "Xuan Yuan Sword," and "Monopoly," and continues to collaborate with major manufacturers to develop games and obtain film and television licenses. Furthermore, we actively seek opportunities for cross-industry cooperation and joint ventures to enhance the value of our IPs. Leveraging its profound cultural and creative capabilities, the Company is dedicated to innovating and creating more groundbreaking works. The R&D team of the Company collaborated with the horror movie "The Bridge Curse" to develop the "The Bridge Curse Road to Salvation" horror game. We won the "Taiwan R&D Game" gold medal at the Taipei Game Show in 2023, and "The Bridge Curse 2: The Extrication" is scheduled to be released in the second quarter of 2024; At the same time, we have obtained the IP authorization for the horror movie "Incantation", and a brand-new horror game based on this IP will also be launched in 2024. Meanwhile, several original games are in development and will be launched gradually.

The Company actively explores excellent independent games and collaborates with their developers for publication. Additionally, partnerships with highly popular Japanese anime IPs for game releases are in place. Consequently, besides standalone games continuously contributing to the Company's revenue, popular games also play a crucial role in maintaining stable revenue streams.

The Group's subsidiary companies continue to develop steadily, demonstrating courage in taking on challenges and venturing into new business areas in response to market trends. The Company operates diversely and strategically positions itself in emerging markets, expanding its presence in the global gaming market. We have established a solid foundation in product development, marketing channels, game operations and IP licensing, and is actively entering the digital content market. Details of 2023 operating performance and 2024 operation prospects are as follows:

I. 2023 Business Results

(I) Implementation achievements of the 2023 Business Plan:

The Company's 2023 consolidated operating income was NT\$3,262,181 thousand.

(II) Budget execution and revenue & expenditure:

		Unit: Thousand NT\$
Item		2023 Actual Amount
Operating revenue		3,262,181
Operating costs		(2,175,050)
Gross profit		1,087,131
Operating expenses		(1,374,351)
Operating Income(loss)		(287,220)
Non-operating income and expenses		1,578
Pre-tax net (losses)profits		(285,642)
Income Tax Expenses		(94,353)
Net profits of the period		(379,995)
Net Profit (Loss) Attributable to:	Owners of the Parent Company	(335,127)
	Non-Controlling Interests	(44,868)

(III) Profitability analysis:

Item	2023
Return on total assets	(5.57%)
Return on total stockholder's equity	(12.14%)
Operating Income to Capital	(27.65%)
Pretax Income to Capital	(27.50%)
Net Income to Sales	(11.65%)
Losses per share after tax (NT\$)	(3.39)

(IV) Research and Development:

The R&D team has delved deep into studying the game engine of Unreal Engine 5, successfully leveraging its many advantages. The engine possesses outstanding rendering capabilities and sophisticated lighting effects, providing a more realistic gaming experience. Meanwhile, it also features efficient development tools and editors, which contribute to enhancing development efficiency and product quality.

The team focuses on the development of home console games, and is committed to improving game performance and experience. Through continuous optimization of the game engine and programming technology, the operation speed and stability of the game have been improved, and a smoother and more pleasant game experience has been brought to players.

Additionally, the R&D team focuses on and actively utilizes generative AI technology, actively exploring new technologies and applications, continuously creating new IPs and products, to bring players more diverse and innovative gaming experiences.

The team is user centric and actively optimizes products and services. By continuously listening to user feedback and needs, the team optimizes products and services, and improves user experience and satisfaction.

Overall, through the technology and continuous efforts, innovation, and exploration of the R&D team, the Company can bring better products and services to users and bring more development opportunities to the gaming industry. In 2023, a total of NT\$222,924 thousand in research and development expense was invested, accounting for 16% of the Company's operating expenses.

II. Overview of 2024 Business Plan

(I) Operation guidelines

◎ Research and development of games

- (1) Product R&D Plan - Self-developed IP Promotion: The game "Voice Love on Air", released this year, explores the theme of romance within the context of a voice director's profession and marks our first venture into Boys' Love content, having received positive reviews; Brand IP Promotion: "The Bridge Curse 2: The Extrication" builds upon the experience of its predecessor, strengthening the game's content and incorporating elements that appeal to international players, aiming to promote the game worldwide. Additionally, we have collaborated with a renowned IP to develop the horror game "Incantation." This game will focus on

suspense and horror themes, combining chilling scenes and thrilling plots to deliver an unparalleled gaming experience that will leave players on the edge of their seats.

- (2) Technology R&D Plan - Establishment of AI Team: In response to market trends, the R&D technology center has established an AI team, aiming to accelerate the development process, optimize team manpower, reduce outsourcing and personnel month costs through AI tools, and continuously monitor the trend and evolution of AI. The team will use optimized development processes to enrich game content.
- (3) Technology R&D Plan - New Technology Import: Importing 3D scanning technology can quickly generate game models from physical items, accelerating project development. As the usage of Spine tools become increasingly mature, the R&D team has gained extensive experience in 2D dynamic production and will apply them to subsequent game development.

◎ IP licensing and pan-entertainment authorization cooperation

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

◎ Enhancing Product Coverage

We plan to port the product to multiple platforms. This means porting our games and applications to multiple different platforms, including but not limited to PC, consoles, mobile phones, and tablets. By employing this approach, we can ensure that our products reach a wider audience and provide users with better experiences across different devices. This will also help to increase our market share and make our brand more competitive in different markets.

◎ Game Publishing and Operation

Agent distribution of the highly popular Japanese anime IP "Master of Garden", Simultaneous release in Taiwan, Hong Kong, and Macau, with global synchronization of version progress, delivering the best gaming experience to traditional Chinese-speaking players. Participation in the 2024 Taipei Game Show sparked enthusiastic discussions. Currently, there are several games being prepared for agent distribution.

◎ Business plan for subsidiaries of the group.

- (1) Array Networks Inc. (hereinafter referred to as Array): As one of the few information security equipment manufacturers in Taiwan, Array continuously invests in R&D resources to develop new product lines in response to market demand changes. The planned cloud-based WAF SaaS service is a growing trend in the market. As many enterprises gradually migrate services to the cloud, Array's developed SaaS WAF cloud security protection service officially meets market demands.
- (2) Chander Electronics Corp.: In addition to its existing Microsoft Embedded OS and alcoholic beverage product agency, the Company is expanding into the market for mobile and fixed charging piles. The goal is to deploy 600 mobile robots within 3 years and simultaneously expand fixed charging pile locations.

- (3) Red Sunrise Co., Ltd. (hereinafter referred to as Red Sunrise): As a leader in the field of financial technology, Red Sunrise passed the "Third-Party Payment Service Institution Service Energy Registration from Administration for Digital Industries, moda" in 2023, becoming the first batch of certified collection and payment service providers. In the same year, it also completed the "Anti-Money Laundering and Counter-Terrorist Financing Measures for Third-Party Payment Service Industry" off-site audit, demonstrating that Red Sunrise has passed multiple review indicators and evaluation standards of the Digital Development Department, as well as strengthened internal audit and control systems. Product procurement is diverse and continuously improved, including the "optimization of electronic invoicing system," "expansion of electronic ticket supply chain," "BNPL layout AI," and "deepening cooperation with Far Trust consumer finance."
- (4) Uniplus Electronics Co., Ltd.: In addition to our existing printed circuit board business, our vision is to provide materials needed by the global electronics industry, while maintaining excellent quality, high value-added products, and professional services. In 2023, Uniplus acquired San Jiang Electric MFG Co., Ltd., joining the ranks of Taiwan's robust power grid sector. Uniplus continues to enhance the competitiveness of its core products, strengthens inventory management, improves product quality, and introduces automation technology to optimize production capacity, maximizing the efficiency of production and sales.

(II) Projected sales

Several mobile games, single player games, collaborative cultural and creative IP products are expected to be launched in 2024, as well as increase the licensing revenue which can assist in the Company's revenue this year.

(III) Major operations & sales policies

- ◎ Actively expand overseas markets, seek licensing partners to grow market share and revenue.
- ◎ Maintain high-quality products for the right market image.
- ◎ Continue to expand the channel and actively penetrate the network virtual channel and operation platform.
- ◎ Strengthen cooperation in film and television IP licensing, digital content and cultural and creative industries.

III. Future development strategies of the Company

The Company's future development will be focused on IP licensing, leveraging our abundant cultural and creative energy to develop more original intellectual property (IP) works in-house. 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 enhancing 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 games MMORPGs in the original Chinese and Asian markets, the Company is also actively expanding into overseas emerging markets, seeking excellent strategic alliance partners, providing players with more diversified game choices, and promoting Softstar's products to various international markets worldwide through multilingual, multi-theme, and multi-platform operational expansion. In terms of group integration, each subsidiary possesses distinct strengths, and will make good use of group resources to foster mutual prosperity and win-win outcomes.

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

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

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

Best wishes

to all shareholders

Chairman: Tu, Chun-Kuang

President: Tsay, Ming-Hong

Chief Accountant: Chuang, Jen-Chuan

Chapter 2. Company Profile

I. Date of Incorporation

The Company was founded on August 3, 1998.

II. Company History

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

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

1. 2023:

February: The Company intends to participate in cash capital increase through a private placement of its subsidiary, Uniplus Electronics Co., Ltd.

March: The subsidiary of the Company, Uniplus Electronics Co., Ltd., has purchased shares of San Jiang Electric MFG Co., Ltd. and acquired controlling interest.

July: The Company applied to issue 2,500,000 new restricted employee shares for 2023, with a par value of NT\$10 per share, totaling NT\$25,000,000. The application has been approved by the Financial Supervisory Commission and has become effective. August: We issued 1,670,000 new restricted employee shares, and the issuance date for the new shares was August 11, 2023.

October: The Company has applied to the Financial Supervisory Commission to carry out a cash capital increase by issuing 5,200,000 new shares with a par value of NT\$10 per share. Additionally, it intends to issue domestic unsecured convertible corporate bonds for the second time, with each bond having a face value of NT\$100,000. The total issuance ceiling for the bonds is NT\$300,000,000. The issuance will be carried out at 100% to 101% of the face value, subject to approval from the regulatory authority.

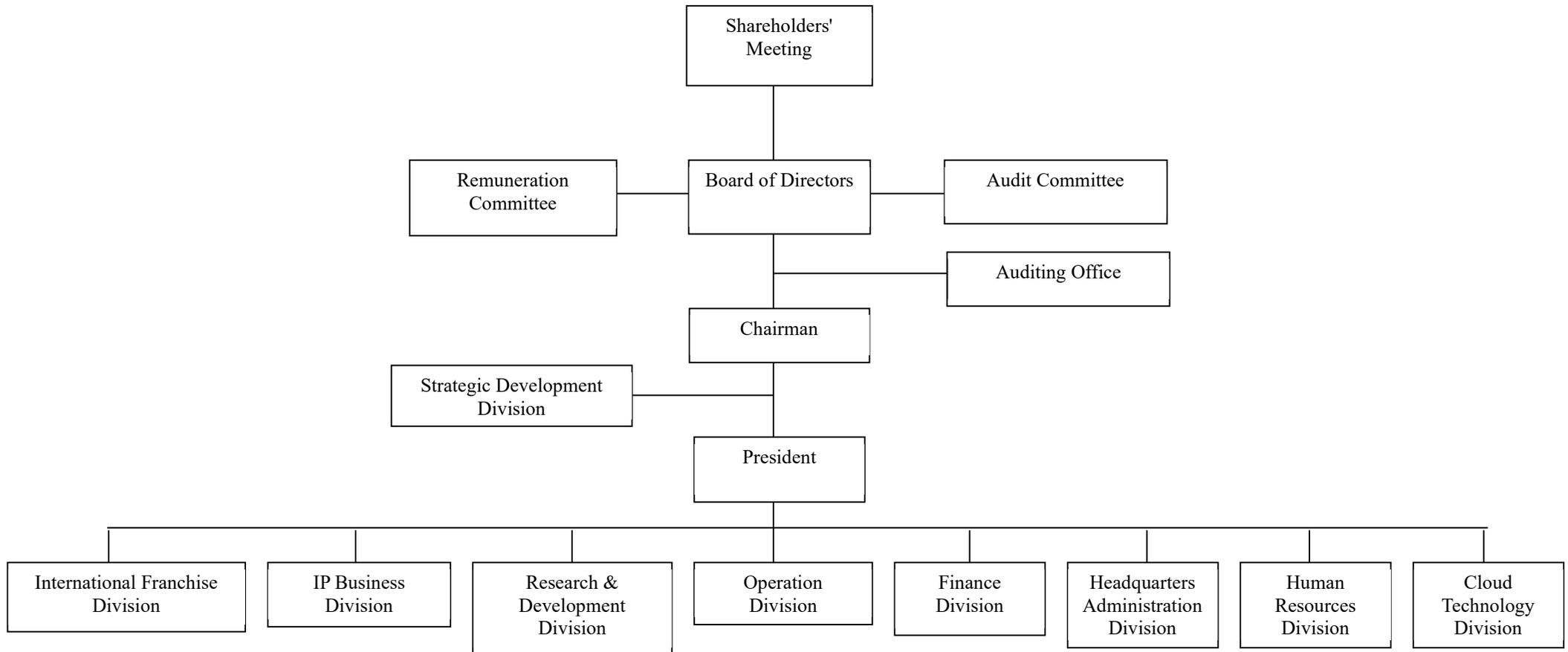
2. As of the printing date of the Annual Report in 2024:

March: The subsidiary company of the Company, Red Sunrise Co., Ltd., has applied to the Financial Supervisory Commission for the first time public offering of its shares.

Chapter 3. Corporate Governance Report

I. Organization

(I) Organization structure April 29, 2024



(II) Functions of major departments

Department	Major function
Research & Development Division	<ol style="list-style-type: none">1. Development and research for new technologies2. Product quality control and compatibility test for software/hardware.3. Manufacture and progress control for main planning, art design, programming, audiovisual post-production, music, sound effect.
Finance Division	Finance, accounting, and stock affairs.
IP Business Division	<ol style="list-style-type: none">1. Negotiation on overseas licensing for game software and IP.2. Promote overseas marketing markets and strategic alliances with other companies.
Headquarters Administration Division	<ol style="list-style-type: none">1. Legal affairs.2. Management and maintenance of fixed assets and office administrative affairs.3. Management and maintenance of office information security, ERP system, and computer equipment.
Human Resources Division	Procedures related to Human Resources
Auditing Office	Carry out audits on the accuracy and validity for the implementation of the internal control system, assist in reviewing and evaluating the operations and operating statements of the Company, and provide improvement recommendations.
Cloud Technology Division	System backend maintenance, App maintenance and development, electronic invoicing, operation management of liquor social community platform , cloud server management.
Operation Division	Game Operation
International Franchise Division	Assist in the operation of the Group's new business units as well as global planning and expansion.
Strategic Development Division	Strategically integrate the Group's global resources.

II. Directors, Supervisors and Management Team

(I) Directors and supervisors

April 29, 2024

Unit: share

Title	Nationality or domicile	Name	Gender (age)	Date elected (of accession)	Tenure	Date firstly elected	Shares held upon elected		Shares currently held		Shares held by spouse or minors		Holding shares in the name of another person		Primary experience (academic experience)	Titles concurrently held at the Company and other companies	Other supervisory roles, director or supervisor held by spouse or second-degree relations			Remark (Note)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	The Republic of China	Tu, Chun-Kuang	Male (aged 40-50)	2022.05.27	Three Years	2014.01.17	0	0%	0	0%	0	0%	26,997,214	25.99%	EMBA, New York University, the US EMBA, Peking University Managing Director of Autian Group, Hong Kong Vice President of Golden Harvest Group, Hong Kong Supervisor of Vie Show Cinemas Co., Ltd., Taiwan	Note 1	Director Representative of Corporate Shareholder	Hsieh, Fang-Shu	Relative-in-Law	None
Director	British Cayman Islands	Angel Fund (Asia) Investments Limited	-	2022.05.27	Three Years	2014.01.17	9,018,562	13.75%	9,740,562	9.38%	-	-	-	-	N/A	None	None	None	None	None
	The Republic of China	Representative - Yao, Chuang-Hsien	Male (aged 50-60)	2022.05.27	Three Years	2017.06.30	5,238	0%	8,144	0.01%	0	0%	0	0%	Mining and Metallurgy Department, Taipei Institute of Technology Manager of Development Department, Softstar Entertainment Inc.	Note 2	None	None	None	None
Director	The Republic of China	Global Angel Investments Limited	-	2022.05.27	Three Years	2022.05.27	3,594,639	5.48%	7,545,018	7.26%	-	-	-	-	N/A	None	None	None	None	None
	The Republic of China	Representative : Hsieh, Fang-Shu	Female (aged 40-50)	2022.05.27	Three Years	2020.06.09	26,625	0.04%	56,950	0.05%	0	0%	0	0%	Department of Accounting, Lingdong Technical College Employee of Chinatrust Commercial Bank	Note 3	Chairman	Tu, Chun-Kuang	Relative-in-Law	None

Title	Nationality or domicile	Name	Gender (age)	Date elected (of accession)	Tenure	Date firstly elected	Shares held upon elected		Shares currently held		Shares held by spouse or minors		Holding shares in the name of another person		Primary experience (academic experience)	Titles concurrently held at the Company and other companies	Other supervisory roles, director or supervisor held by spouse or second-degree relations			Remark (Note)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director	The Republic of China	Oriental Golden Richness LTD.	—	2022.05.27	Three Years	2022.05.27	3,039,325	4.63%	9,708,162	9.35%	-	-	-	-	N/A	None	None	None	None	None
	The Republic of China	Representative -Chen, Yao-Tien	Male (aged 50-60)	2022.05.27	Three Years	2022.05.27	27,957	0.04%	133,372	0.13%	0	0%	0	0%	Department of Chemical Engineering of Tsing Hua University Department of Sociology, Chengchi University CEO of webzen Inc. Founder and CEO of Cayenne Entertainment Technology Co., Ltd. CEO of Greater China Region, Hoshin GigaMedia Center Inc., FunTown Branch	Note 4	None	None	None	None
Independent Director	The Republic of China	Hung, Pi-Lien	Female (aged 50-60)	2022.05.27	Three Years	2017.06.22	0	0%	0	0%	0	0%	0	0%	M.S. of Accounting, National Chengchi University Banking Officer, Taipei Exchange Supervisor of LIWANLI Innovation Co., Ltd.	Note 5	None	None	None	None
Independent Director	The Republic of China	Zhang, Yu-De	Male (aged 30-40)	2022.05.27	Three Years	2022.05.27	0	0%	0	0%	0	0%	0	0%	Bachelor of Economics, Simon Fraser University Business Manager of KGI Securities Co. Ltd.	Note 6	None	None	None	None
Independent Director	The Republic of China	Hsieh, Yi-Chun	Female (aged 40-50)	2022.05.27	Three Years	2022.05.27	0	0%	0	0%	0	0%	0	0%	Master of Marketing, Golden Gate University COO of The Playground Investment Limited	Note 7	None	None	None	None

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

Note 1: Vice President of Investment of the Company, Director of SOFTSTAR ANIMATION LIMITED, JFN Investment Holding Corp., New Profit Holding Ltd., and Mega Media Group Limited, Chairman of Loftstar Interactive Entertainment Inc., Director of Activision Entertainment Ltd., director of Double Edge Entertainment Corp. (legal representative of Softstar Entertainment Inc.), director of Angel Fund (Asia) Investments Limited, director of Global Angel Investments Limited (legal representative of Global Angel Investments Limited), director of Global Angel Investments Limited, director of Oriental Golden Richness Ltd., director of Angel (Partners) Investments Limited, director of BACCHUS WINE GROUP CO., LTD. (legal representative of BACCHUS WINE GROUP CO., LTD.), director of BACCHUS WINE GROUP CO., LTD., director of ANGEL WINE & SPIRIT GROUP CO., LTD., director of MIGHTY BUILD VENTURES LIMITED, Chairman of Uniplus Electronics Co., Ltd., director of TIME VISION INTERNATIONAL LIMITED, Chairman of Green Bless Co., Ltd. (legal representative of Uniplus Electronics Co., Ltd.), Chairman of Jiuheyi Technology Co., Ltd. (legal representative of Uniplus Electronics Co., Ltd.), director of Lanjing Design Co., Ltd. (legal representative of Softstar Entertainment Inc.), director of Chiwei Technology Co., Ltd. (legal representative of Softstar Entertainment Inc.), director of Taiwan Angel Asset Investment Co., Ltd., director of Channel First Investment Corp., director of Array Holdings for APGFIII Fund LPs, director of PLUSNINE International Co., Ltd, Decode Music Management Co. Ltd. (legal representative of EZ5 Innovation Inc.), chairman of San Jiang Electric Mfg. Co., Ltd. (legal representative of Uniplus Electronics Co., Ltd.), chairman of Zhu International Group INC. (legal representative of Softstar Entertainment Inc.), and director of Customers Delight Corp.

Note 2: Director and President of Softstar Technology (Beijing) Co., Ltd.

Note 3: Chairman of Lianhe Weima Co., Ltd., Supervisor of Loftstar Interactive Entertainment Inc. (legal representative of Softstar Entertainment Inc.), Director of Uniplus Electronics Co., Ltd. (legal representative of Global Angel Investments Limited), and Supervisor of Neweb Technologies Co., Ltd. (legal representative of Lianhe Weima Co., Ltd.).

Note 4: Vice President of the Company, director and president of Loftstar Interactive Entertainment Inc. (legal representative of Softstar Entertainment Inc.), director of Uniplus Electronics Co., Ltd. (legal representative of Softstar Entertainment Inc.), and director of Neweb Technologies Co., Ltd. (legal representative of Chander Electronics Corp.).

Note 5: Independent Director of ATrack Technology Inc., and CPA of Xinda United Accounting Firm.

Note 6: Director of Deken Asset Management Co., Ltd., director of Kaitak Xiangyu Co., Ltd., director of Xinzhan Development Investment Co., Ltd. (legal representative of Wisers Investment Inc.), and director of Shin Cheng Venture Capital Co., Ltd. (legal representative of Wisers Investment Inc.).

Note 7: Chairman and President of Naval Games Co., Ltd and director of Nibiru Technology Co., Ltd.

Table 1. Substantial shareholders of corporate shareholder

April 29, 2024

Name of the corporate shareholder (Note 1)	Substantial shareholders of corporate shareholder (Note 2)	Shareholding ratio (%)
Angel Fund (Asia) Investments Limited	Angel (Partners) Investments Limited	25%
	Future Kemy Limited	12.5%
	Rocket Parade Investment Limited	26%
	Channel First Investment Corp.	36.5%
Global Angel Investments Limited	Global Angel Investments Limited	100%
Oriental Golden Richness LTD	Global Angel Investments Limited	99.89%
	Tu, Chun-Kuang	0.11%

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

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

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

Table 2. Substantial shareholders of corporate shareholders

April 29, 2024

Name of the corporate shareholder (Note 1)	Substantial shareholders of corporate shareholder (Note 2)	Shareholding ratio (%)
Angel (Partners) Investments Limited	Tu, Chun-Kuang	100%
Future Kemy Limited	Ko, Chieh-Yuan	100%
Rocket Parade Investment Limited	CMGE Technology Group Limited	100%
Channel First Investment Corp.	Tu, Chun-Kuang	100%
Global Angel Investments Limited	Tu, Chun-Kuang	100%

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

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

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

(II) Directors and supervisors

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

Condition Name	Professional qualification and experience (Note 1)	Independence (Note 2)	Serves as Independent Director for other publicly-listed companies
Chairman Tu, Chun-Kuang	Possesses industry-related knowledge and management capabilities; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	N/A	0
Director Angel Fund (Asia) Investments Limited	N/A	N/A	N/A
Representative - Yao, Chuang-Hsien	Possesses industry-related knowledge and management capabilities; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	N/A	0
Director Global Angel Investments Limited	N/A	N/A	N/A
Representative: Hsieh, Fang-Shu	Possesses industry-related knowledge and management capabilities; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	N/A	0
Director Oriental Golden Richness Ltd.	N/A	N/A	N/A
Representative-Chen, Yao-Tien	Possesses industry-related knowledge and management capabilities; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	N/A	0
Independent Director Hung, Pi-Lien	Possesses a license of certified public accountant; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	In compliance with the independence defined in Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	1
Independent Director Zhang, Yu-De	Possesses a license of the Securities Specialist; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	In compliance with the independence defined in Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	0
Independent Director Hsieh, Yi-Chun	Possesses industry-related knowledge and management capabilities; none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.	In compliance with the independence defined in Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	0

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

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

2. Diversity and independence of the Board of Directors:

(1) Diversity of the Board of Directors:

Policy on Directors' Diversity stipulated in the Article 20 under the Company's Code of Corporate Governance

- ◎ The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:
 - (I) Basic requirements and values: Gender, age, nationality, and culture.
 - (II) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.
- ◎ All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:
 - I. Business judgment ability.
 - II. Accounting and financial analysis ability.
 - III. Business management ability.
 - IV. Crisis management ability.
 - V. Knowledge of the industry.
 - VI. International market perspective.
 - VII. Leadership.
 - VIII. Decision-making ability.

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

Currently, the Company has four directors (including three corporate directors with one representative each) and three independent directors; seven natural persons (four males and three females) all of whom are nationals of the Republic of China: one in the age group of 30-40, three in the age group of 40-50, and three in the age group of 50-60; and one independent director who has served for a term of three years, and two independent directors who have not yet served for a term of three years. The Company has always been concerned about the gender equality of board members. On May 27, 2022, the directors were fully re-elected, and the number of female directors increased from two to three (including independent directors). At present, there are three female directors in the seven directors, accounting for 43%.

Management Objectives

- The Board of Directors includes at least one female member (achieved).

	Business judgment ability	Accounting and financial analysis ability	Business management ability	Crisis management ability	Knowledge of the industry	International market perspective	Leadership	Decision-making ability
Chairman Tu, Chun-Kuang	✓	✓	✓	✓	✓	✓	✓	✓
Director Representative Yao, Chuang-Hsien	✓		✓	✓	✓		✓	✓
Director Representative Hsieh, Fang-Shu	✓	✓	✓	✓			✓	✓
Director Representative Chen, Yao-Tien	✓		✓	✓	✓	✓	✓	✓
Independent Director Hung, Pi-Lien	✓	✓	✓	✓				
Independent Director Zhang, Yu-De	✓	✓	✓	✓			✓	✓
Independent Director Hsieh, Yi-Chun	✓		✓	✓	✓		✓	✓

(2) Independence of the Board of Directors:

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

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

April 29, 2024

Title	Nationality	Name	Gender	Date elected (of accession)	Shareholding		Shares held by spouse and minors		Holding shares in the name of another person		Primary experience (academic experience)	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company			Remark (Note 1)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman and Vice President of Investment	The Republic of China	Tu, Chun-Kuang	Male	2023.05.01	0	0%	0	0%	26,997,214	25.99%	EMBA, New York University, the US EMBA, Peking University Managing Director of Autian Group, Hong Kong Vice President of Golden Harvest Group, Hong Kong Supervisor of Vie Show Cinemas Co., Ltd., Taiwan	Note 1	None	None	None	None
President	The Republic of China	Tsay, Ming-Hung	Male	2017.06.30	428,835	0.41%	1,492	0%	0	0%	Industrial Engineering and Management, Oriental Institute of Technology Manager of Development Department, Softstar Entertainment Inc. Assistant General Manager of Development Department, Softstar Entertainment Inc. Vice President of Development Department, Softstar Entertainment Inc.	Note 2	None	None	None	None
Vice President	The Republic of China	Chen, Yao-Tien	Male	2014.02.07	133,372	0.13%	0	0%	0	0%	Department of Chemical Engineering of Tsing Hua University Department of Sociology, Chengchi University CEO of webzen Inc. Founder and CEO of Cayenne Entertainment Technology Co., Ltd. CEO of Greater China Region, Hoshin GigaMedia Center Inc., FunTown Branch	Note 3	None	None	None	None

Title	Nationality	Name	Gender	Date elected (of accession)	Shareholding		Shares held by spouse and minors		Holding shares in the name of another person		Primary experience (academic experience)	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company			Remark (Note 1)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Vice President	The Republic of China	Chuang, Jen-Chu'an	Male	2021.02.01	139,227	0.13%	0	0%	0	0%	Department of Accounting, Tamkang University Manager of Audit Department, KPMG Taiwan CFO of Neweb Technologies Co., Ltd. Vice President in Management Department of NEWRETAIL	Note 4	None	None	None	None
Vice President	The Republic of China	Lin, Hui-Zhen	Female	2015.04.16	234,182	0.23%	0	0%	0	0%	Graduate School of Law, Shih Hsin University Legal Director, Univision Technology Legal Project Manager, Airoha Technology Senior Legal Manager, Donglin Precision Manager of Legal Department, Softstar Entertainment Inc. Deputy manager of Administrative Department, Softstar Entertainment Inc.	Note 5	None	None	None	None
Vice President	The Republic of China	Lin, Yun-Hua	Female	2021.08.01	102,381	0.10%	0	0%	0	0%	University of Illinois at Urbana-Champaign Master of Science in Finance Manager, JAFCO Investment (Hong Kong) Limited Assistant General Manager of Corporate Merger & Acquisition Division, Deloitte & Touche Financial Advisory Corporation	Note 6	None	None	None	None
Vice President	The Republic of China	Yeh, Ying-Yin	Female	2023.12.15	0	0%	0	0%	0	0%	Department of Information Communication, Shih Hsin University President, Bakesi Wine Group Co., Ltd. President, Zhu International Group INC.	Note 7	None	None	None	None

Title	Nationality	Name	Gender	Date elected (of accession)	Shareholding		Shares held by spouse and minors		Holding shares in the name of another person		Primary experience (academic experience)	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company			Remark (Note 1)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Assistant General Manager	The Republic of China	Chen, Yi-Fang	Female	2022.04.01	69,612	0.07%	0	0%	0	0%	Department of Journalism, Shih Hsin University Marketing Supervisor of Taiwan Star Telecom Corporation Limited Sales Director of E-Net Co., Ltd./Tokyo Fashion Co., Ltd. Sales Director of IFIT Ltd.	Note 8	None	None	None	None
Assistant General Manager	The Republic of China	Shen, Yong-Xuan	Female	2022.04.01	0	0%	0	0%	0	0%	Master of Finance, University of Illinois at Urbana-Champaign Managing Director, Global Angel Investments Limited CFO of Uniplus Technology Co., Ltd.	None	None	None	None	None
Assistant General Manager	The Republic of China	Liang, Jian-Zhang	Male	2022.12.06	27,844	0.03%	0	0%	0	0%	Department of Mechanical Engineering, Ming Chi University of Technology Manager of Cloud Technology Department, Softstar Entertainment Inc.	None	None	None	None	None
Assistant General Manager	The Republic of China	Xie, Shu-Jin	Female	2022.12.01	26,386	0.03%	0	0%	0	0%	Department of Accounting, Feng Chia University Manager of Finance Department, Softstar Entertainment Inc.	Note 9	None	None	None	None
Assistant General Manager	The Republic of China	Lu, Zhi-Xiang	Male	2023.01.01	40,817	0.04%	516	0%	0	0%	Department of Computer Science and Information Engineering, Tamkang University Manager of Research and Development Technology Center, Softstar Entertainment Inc.	None	None	None	None	None
Assistant General Manager	The Republic of China	Hou, Li-Ling	Female	2023.01.05	46,743	0.05%	16,745	0.02%	0	0%	Department of Information Management, Ming Chuan University Manager of President's Office, Softstar Entertainment Inc.	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected (of accession)	Shareholding		Shares held by spouse and minors		Holding shares in the name of another person		Primary experience (academic experience)	Positions currently held in other companies	Managers who have spousal or second-degree family relationships within the Company			Remark (Note 1)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Assistant General Manager	The Republic of China	Yu, I-Jo	Female	2023.07.21	0	0%	0	0%	0	0%	Graduate Institute of Communication Management, National Sun Yat-sen University COO of IFIT Ltd. President, Cocoro Fashion Co., Ltd. Chief Operating Officer,	None	None	None	None	None

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

Note I: Director of SOFTSTAR ANIMATION LIMITED, JFN Investment Holding Corp., New Profit Holding Ltd., and Mega Media Group Limited, Chairman of Loftstar Interactive Entertainment Inc., Director of Activision Entertainment Ltd., director of Double Edge Entertainment Corp. (legal representative of Softstar Entertainment Inc.), director of Angel Fund (Asia) Investments Limited, director of Global Angel Investments Limited (legal representative of Global Angel Investments Limited), director of Global Angel Investments Limited, director of Oriental Golden Richness Ltd., director of Angel (Partners) Investments Limited, director of BACCHUS WINE GROUP CO., LTD. (legal representative of BACCHUS WINE GROUP CO., LTD.), director of BACCHUS WINE GROUP CO., LTD., director of ANGEL WINE & SPIRIT GROUP CO., LTD., director of MIGHTY BUILD VENTURES LIMITED, Chairman of Uniplus Electronics Co., Ltd., director of TIME VISION INTERNATIONAL LIMITED, Chairman of Green Bless Co., Ltd. (legal representative of Uniplus Electronics Co., Ltd.), Chairman of Jiuheyi Technology Co., Ltd. (legal representative of Uniplus Electronics Co., Ltd.), director of Lanjing Design Co., Ltd. (legal representative of Softstar Entertainment Inc.), director of Chiwei Technology Co., Ltd. (legal representative of Softstar Entertainment Inc.), director of Taiwan Angel Asset Investment Co., Ltd., director of Channel First Investment Corp., director of Array Holdings for APGFIII Fund LPs, director of PLUSNINE International Co., Ltd, Decode Music Management Co. Ltd. (legal representative of EZ5 Innovation Inc.), chairman of San Jiang Electric Mfg. Co., Ltd. (legal representative of Uniplus Electronics Co., Ltd.), chairman of Zhu International Group INC. (legal representative of Softstar Entertainment Inc.), and director of Customers Delight Corp.

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

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

Note IV: Director of Taiga Digital Media Co., Ltd. (legal representative of Softstar Entertainment Inc.), Director of Sun Tech Co., Ltd (legal representative of Softstar Entertainment Inc.), Director of Loftstar Interactive Entertainment Inc. (legal representative of Softstar Entertainment Inc.), Director of ART Games (legal representative of Softstar Entertainment Inc.), San Jiang Electric Mfg. Co., Ltd. (legal representative of Uniplus Electronics Co., Ltd.), Hang Zheng Technology Co., Ltd. (legal representative of Uniplus Electronics Co., Ltd.), and Supervisor of Zhu International Group INC.

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

Note VI: Director of BLC Group Holding Limited, Director of Array Networks (legal representative of Array Holdings for APGFIII Funf LPs).

Note VII: Director and President of Zhu International Group INC. (legal representative of Softstar Entertainment Inc.), and Director of Customers Delight Corp.

Note VIII: Director of Fish5bear, Director of Chander Electronics Corp. (legal representative of Lanjing).

Note IX: Supervisor of Sun Tech Co., Ltd.

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

(I) Compensation of General Directors and Independent Directors

December 31, 2023
Unit: NTS1,000/thousand shares

Title	Name	Director's remuneration								Ratio of total remuneration (A+B+C+D) to after-tax net income (%) (Note 8)		Compensations paid to concurrent employees								Ratio of the total of 7 items A, B, C, D, E, F, and G to net profit after tax (%) (Note 8)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 9)
		Remuneration (A) (Note 2)		Retirement pension (B)		Remuneration of Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, bonus, and special expenses (E) (Note 5)		Retirement pension (F)		Remuneration of employees (G) (Note 6)						
		The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company		All companies in the financial report (Note 7)		The Company	All companies in the financial report			
		Cash Amount	Stock Amount	Cash Amount	Stock Amount																	
Chairman	Tu, Chun-Kuang	6,500	6,500	0	0	0	0	78	132	(1.96)	(1.98)	14,009	14,009	0	0	0	0	0	0	(6.14)	(6.16)	0
Director	Angel Fund (ASIA) Investments Limited, British Cayman Islands	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Representative: Yao, Chuang-Hsien	0	0	0	0	0	0	72	72	(0.02)	(0.02)	1,043	1,043	0	0	0	0	0	0	(0.33)	(0.33)	0
Director	Global Angel Investments Limited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Representative: Hsieh, Fang-Shu	0	0	0	0	0	0	72	120	(0.02)	(0.04)	0	0	0	0	0	0	0	0	(0.02)	(0.04)	0
Director	Oriental Golden Richness LTD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Representative: Chen, Yao-Tien	0	0	0	0	0	0	72	120	(0.02)	(0.04)	10,802	10,802	0	0	0	0	0	0	(3.24)	(3.26)	0
Independent Director	Hung, Pi-Lien	600	600	0	0	0	0	174	174	(0.23)	(0.23)	0	0	0	0	0	0	0	0	(0.23)	(0.23)	0
Independent Director	Zhang, Yu-De	600	600	0	0	0	0	174	174	(0.23)	(0.23)	0	0	0	0	0	0	0	0	(0.23)	(0.23)	0
Independent Director	Hsieh, Yi-Chun	600	600	0	0	0	0	174	174	(0.23)	(0.23)	0	0	0	0	0	0	0	0	(0.23)	(0.23)	0

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

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

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

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

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

- Note 1: The names of Directors shall be listed separately (names of corporate shareholders and corporate representatives shall be listed separately), general Directors and Independent Directors shall be listed respectively and the payment amounts shall be disclosed collectively. This table and table (3-1), or tables (3-2-1) and (3-2-2) below shall be filled out if a director concurrently serves as the President or Senior Vice President.
- Note 2: Remuneration of Directors during the past year (including salaries, job remuneration, severance, bonuses, and performance fees).
- Note 3: Amount of remuneration distributed to Director after being approved by the Board for the past year.
- Note 4: Allowances paid out to Directors for the past year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods). For expenses exclusive to an individual (such as houses, vehicle, and other transport vehicles), disclose the nature and costs, actual or imputed rent based on the fair market price, gas expenses, and other allowances for the assets provided. Where drivers are otherwise provided, please illustrate in notes regarding the compensation paid to drivers, excluding from the remuneration.
- Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special expenses, various allowances, accommodation allowance vehicles, and provision of physical goods received by Directors who concurrently serve as employees (including President, Vice President, other managerial officers, and employees) for the past year. For expenses exclusive to an individual (such as houses, vehicle, and other transport vehicles), disclose the nature and costs, actual or imputed rent based on the fair market price, gas expenses, and other allowances for the assets provided. Where drivers are otherwise provided, please illustrate in notes regarding the compensation paid to drivers, excluding from the remuneration. Any salary listed under IFRS 2 Share-Based Payment, including the issuance of employee stock options certificate, restricted stock awards and cash increase through shares subscription shall also be included in the remuneration.
- Note 6: If the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) received employee bonus (including stock dividend and cash dividend) in the most recent year, please disclose the employee bonus approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year, and please also specify the table 1-3.
- Note 7: Disclose the total remuneration of all items paid out to the Company's Directors by all companies (including the Company) in the consolidated financial report.
- Note 8: Net profit after tax refers to the net profit after tax in the most recent parent company only or individual financial report.
- Note 9:
- a. This field should clearly indicate the amount of remuneration received by the Company's directors from a reinvestment business other than a subsidiary or the parent company (if not, please fill in "none").
 - b. If the Director of the Company receives remuneration from investee companies other than subsidiaries of parent company, the amount of remuneration received by the Director from the investee companies other than subsidiaries and parent company shall be combined into Column I of the Table of remuneration ranges, and this column shall be renamed as "parent company and all investee companies".
 - c. The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's directors who acted as the directors, supervisors or managerial officers (including employees, directors and supervisors) of investees other than subsidiaries.
- * The concept of the disclosed remuneration in the Table differs from that of the Income Tax Act; therefore, the Table is for information disclosure only, instead of tax collection.

(II) Remuneration for Supervisors

The Company established the Audit Committee composed of all independent directors to substitute Supervisors; therefore, no remuneration for Supervisors occurred.

(III) Remuneration for the President and Vice President

December 31, 2023

Unit: NT\$1,000/thousand shares

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special expenses (C) (Note 3)		Employees' remuneration (D) (Note 4)				Ratio of total remuneration (A+B+C+D) to after-tax net income (%) (Note 8)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 9)
		The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company		All companies in the financial report (Note 5)		The Company	All companies in the financial report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman and Vice President of Investment	Tu, Chun-Kuang (Note 1)	15,461	15,461	0	0	54,265	54,545	0	0	0	0	(20.81)	(20.89)	0
President	Tsay, Ming-Hung													
Vice President	Chen, Yao-Tien													
Vice President	Lin, Hui-Zhen													
Vice President	Chuang, Jen-Chu'an													
Vice President	Lin, Yun-Hua													
Vice President	Yeh, Ying-Yin (Note 2)													

Note I: Assumed office on May 1, 2023

Note II: Assumed office on December 15, 2023

Table of remuneration ranges

For President and Vice President of the Company Remuneration Ranges	Name of President and Vice President	
	The Company (Note 6)	Parent company and all investee companies (Note 7) E
Less than NT\$1,000,000	Yeh, Ying-Yin	Yeh, Ying-Yin
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	None	None
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	None	None
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Lin, Hui-Zhen	None
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Tu, Chun-Kuang/Tsay, Ming-Hung/Chen, Yao-Tien/Chuang, Jen-Chu'an/Lin, Yun-Hua	Tu, Chun-Kuang/Tsay, Ming-Hung/Chen, Yao-Tien/Chuang, Jen-Chu'an/Lin, Yun-Hua/Lin, Hui-Zhen
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	None	None
NT\$100,000,000 or more	None	None
Total	7 individuals	7 individuals

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

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

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

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

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

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

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

Note 8: Net profit after tax refers to the net profit after tax in the most recent parent company only or individual financial report.

Note 9:

- This field should clearly indicate the amount of remuneration received by the Company's President or Vice President from a reinvestment business other than a subsidiary or the parent company (if not, please fill in "none").
- If the President and Vice Presidents of the Company receive remuneration from invested companies other than subsidiaries or parent company, the remuneration received by the President and Vice Presidents of the Company from invested companies other than subsidiaries or parent company shall be included in Column E in the Remuneration Range Table, and the column heading shall be changed to "Parent Company and all Invested Companies."
- The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's President and Vice Presidents who acted as the directors, supervisors or managerial officers (including employees, directors and supervisors) of investees other than subsidiaries.

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

Top five highest paid executives

(Note 1)

December 31, 2023

Unit: NTS1,000/thousand shares

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special expenses (C) (Note 3)		Employees' remuneration (D) (Note 4)				Total of A, B, C and D and percentage of net income after tax (%) (Note 6)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 7)
		The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company	All companies in the financial report (Note 5)	The Company		All companies in the financial report (Note 5)		The Company	All companies in the financial report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman and Vice President of Investment	Tu, Chun-Kuang (Note)	1,600	1,600	0	0	12,409	12,463	0	0	0	0	(4.18)	(4.20)	0
President	Tsay, Ming-Hung	4,200	4,200	0	0	7,921	7,921	0	0	0	0	(3.62)	(3.62)	0
Vice President	Chuang, Jen-Chu'an	2,400	2,400	0	0	10,011	10,051	0	0	0	0	(3.70)	(3.72)	0
Vice President	Chen, Yao-Tien	2,877	2,877	0	0	7,925	7,973	0	0	0	0	(3.22)	(3.24)	0
Vice President	Lin, Yun-Hua	2,004	2,004	0	0	8,074	8,152	0	0	0	0	(3.01)	(3.03)	0

(Note): Assumed office on May 1, 2023

- Note 1: "Management personnel" in the "Five Highest Remunerated Management Personnel" means managerial officers of the Company. "Managerial officers" means those falling within the applicable scope defined in 27 March 2003 Order No. Tai-Cai-Zheng-III-0920001301 of the former Securities and Futures Commission, Ministry of Finance. The "five highest remunerated" is calculated as those ranked in the top five in remuneration based on the sum total of the amounts of salary, retirement pay and pension, rewards and special disbursements, and employee profit-sharing compensation (i.e., the sum of items A+B+C+D) received by each of the Company's managerial officers from all companies in the consolidated financial reports. If any concurrently serving director(s) is among those top, fill out this table and also Table (1-1) above.
- Note 2: This refers to the salary, duty allowances, and severance pay of each of the five highest remunerated management personnel in the most recent fiscal year.
- Note 3: This refers to the amount of all rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, and other remuneration of the five highest remunerated management personnel in the most recent fiscal year. For expenses exclusive to an individual (such as houses, vehicle, and other transport vehicles), disclose the nature and costs, actual or imputed rent based on the fair market price, gas expenses, and other allowances for the assets provided. Where drivers are otherwise provided, please illustrate in notes regarding the compensation paid to drivers, excluding from the remuneration. Any salary listed under IFRS 2 Share-Based Payment, including the issuance of employee stock options certificate, restricted stock awards and cash increase through shares subscription shall also be included in the remuneration.
- Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the five highest remunerated management personnel in the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.
- Note 5: Disclose the total amount of remuneration in each category paid to the five highest remunerated management personnel by all companies in the consolidated financial report (including the Company).
- Note 6: Net profit after tax refers to the net profit after tax in the most recent parent company only or individual financial report.
- Note 7:
- In this column, specifically disclose the amount of remuneration received by the five highest remunerated management personnel of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").
 - Remuneration means remuneration received by the five highest remunerated management personnel of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.
- * The concept of the disclosed remuneration in the Table differs from that of the Income Tax Act; therefore, the Table is for information disclosure only, instead of tax collection.

Amount of Employee Bonus Paid to Managerial Officers and Their Names

December 31, 2023

Unit: Thousand NT\$

	Title (Note 1)	Name (Note 1)	Stock Amount	Cash Amount	Total	Ratio of total amount to after-tax net income (%)
	Chairman and Vice President of Investment	Tu, Chun-Kuang (Note 1)	0	0	0	0
	President	Tsay, Ming-Hung				
	Vice President	Chen, Yao-Tien				
	Vice President	Chuang, Jen-Chu'an				
	Vice President	Lin, Hui-Zhen				
	Vice President	Lin, Yun-Hua				
	Vice President	Yeh, Ying-Yin (Note 2)				
	Assistant General Manager	Chen, Yi-Fang				
	Assistant General Manager	Shen, Yong-Xuan				
	Assistant General Manager	Xie, Shu-Jin				
	Assistant General Manager	Liang, Jian-Zhang				
	Assistant General Manager	Lu, Zhi-Xiang				
	Assistant General Manager	Hou, Li-Ling				
	Assistant General Manager	Yu, I-Jo (Note 3)				

Note I: Inauguration date: May 1, 2023

Note II: Inauguration date: December 15, 2023

Note III: Inauguration date: July 21, 2023

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

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

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

- (1) President and equivalents
- (2) Vice President and equivalents
- (3) Assistant General Manager and equivalents
- (4) Head of Financial Department
- (5) Head of Accounting Department
- (6) Other people in charge of the Company's operational affairs and entitled to sign instruments on behalf of the Company.

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

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

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

Title	2022				2023			
	Total remuneration (NT\$1,000)		Percentage to the net profit after tax of the parent company only financial report or the individual financial report (%)		Total remuneration (NT\$1,000)		Percentage to the net profit after tax of the parent company only financial report or the individual financial report (%)	
	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report	The Company	All companies in the consolidated report
Director (Note)	20,191	20,329	3.26	3.29	34,970	35,120	(10.43)	(10.48)
Supervisors	-	-	-	-	-	-	-	-
President and Vice Presidents	20,951	20,951	3.39	3.39	69,726	70,006	(20.81)	(20.89)

Note: Remuneration for Directors include remuneration for Directors as concurrent employees. For 2022, the profit after tax in the parent company only financial report was NT\$618,795 thousand. For 2023, the loss after tax in the parent company only financial report was NT\$335,127 thousand. Re-election for all Directors was carried out at the shareholders' meeting of the Company on June 22, 2017. The Audit Committee was established to substitute Supervisors.

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

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

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

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

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

IV. Implementation of Corporate Governance

(I) Operations of the Board:

(1) Operations of Board of Directors

A total of 12 (A) meetings of the Board of Directors were held in the most recent year (2023). The attendance of the directors is as follows:

Title	Name (Note 1)	Actual attendance rate (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Note 2)	Remark
Chairman	Tu, Chun-Kuang	12	0	100%	None
Director	Angel Fund (ASIA) Investments Limited, British Cayman Islands (Representative: Yao, Chuang-Hsien)	12	0	100%	None
Director	Global Angel Investments Limited (Representative: Hsieh, Fang-Shu)	12	0	100%	None
Director	Oriental Golden Richness LTD (Representative: Chen, Yao-Tien)	12	0	100%	None
Independent Director	Hung, Pi-Lien	12	0	100%	None
Independent Director	Zhang, Yu-De	12	0	100%	None
Independent Director	Hsieh, Yi-Chun	12	0	100%	None

Other required disclosures:

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

(I) Matters included in Article 14-3 of the Securities and Exchange Act:

In 2023, a total of 12 Board of Directors' meetings were held. For details of the resolutions, please refer to IV. Operation of Corporate Governance (XI) 2. Important Resolutions of the Board of Directors of the Company. Matters included in Article 14-3 of the Securities and Exchange Act were approved as proposed by all Independent Directors.

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

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

(1) On January 6, 2023, the Board of Directors' meeting discussed the second item: the adjustment of the year-end bonus for senior managers in 2022; among all the attending directors, director Tu, Chun-Kuang and director Chen, Yao-Tien, who had excluded their

interests from the meeting, were excluded from the meeting, and the rest of the attending directors passed the meeting without any objections.

- (2) On March 24, 2023, the Board of Directors' meeting discussed the first proposal: Salary adjustment for the related managers of the Company; among all the attending directors, Chen, Yao-Tien, who is an excluded director, was excluded, and the rest of the attending directors had no objection to the proposal and approved the proposal as presented.
- (3) On May 12, 2023, the Board of Directors' meeting discussed the first item: the case of the Company's new Group Chief Investment Officer; among all the attending directors, the director who has excluded the benefit of avoidance, Tu, Chun-Kuang, was excluded, and the rest of the attending directors had no objection to the approval of the case as it was presented.
- (4) On June 15, 2023, the Board of Directors' meeting discussed the second item: the Company's acquisition or disposal of assets: of all the directors present, the director who has excluded the benefit of avoidance, Tu, Chun-Kuang, and the rest of the directors present had no objection to the approval of the motion.
- (5) On July 21, 2023, the Board of Directors' meeting discussed the second item: the Company's 2023 directors' remuneration distribution plan: among all the attending directors, the directors who have excluded the interest of avoidance, Tu, Chun-Kuang, Yao, Chuang-Hsien, Hsieh, Fang-Shu, and Chen, Yao-Tien, and the rest of the attending directors had no objection to the plan and passed the plan as presented.
- (6) On July 21, 2023, the Board of Directors' meeting discussed the third item: the Company's proposal for the distribution of employees' compensation to the managers for the year 2023: among all the attending directors, the directors who had excluded the interests of the avoidance of the directors Tu, Chun-Kuang and Chen, Yao-Tien were present, and the rest of the attending directors had no objection to the proposal and passed the proposal as it was presented.
- (7) On August 11, 2023, the Board of Directors' meeting discussed the third item: the Company's 2023 Restricted Employee Rights New Shares Issuance Proposal: Among all the directors present, the directors who have excluded their interests from the proposal, Tu, Chun-Kuang and Chen, Yao-Tien, and the rest of the attending directors did not raise any objection to the proposal and approved the proposal as presented.

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

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

- (1) The Company is equipped with the Remuneration Committee: The Remuneration Committee assesses the remuneration policies and system for Directors and managerial officers of the Company, and provide advice to the Board.
- (2) According to the Company Act and Article 14-3, Article 14-5 of the Securities and Exchange Act, proposals that require the consent from the Audit Committee or the approval of the Board meeting have been agreed by the Audit Committee, approved by the resolution of the Board meeting for implementation (proposals that require no consent from the Audit Committee have been approved by the resolution of the Board meeting for implementation).
- (3) Enhancing information transparency: The Company has announced the material resolution passed by the Board meeting according to the relevant laws and regulations.

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

Note 2:

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

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

Evaluation cycle (Note 1)	Annually
Period of evaluation (Note 2)	Evaluating the performance of the Board from January 1, 2023 to December 31, 2023.
Evaluation scope (Note 3)	Including performance evaluation of Board of Directors, individual directors and functional committee
Evaluation methods (Note 4)	Self-evaluation of the Board of Directors and functional committee and self-evaluation of board members of the Company for 2023
Evaluation content (Note 5)	<p>(1) Self-evaluation</p> <p>Evaluation of performance for the Board of Directors: Including participation in the operation of the Company, the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control, etc.</p> <p>Evaluation of performance for the individual board members: Including alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.</p> <p>Performance evaluation of the functional committees: At least include the level of participation in the Company's operations, the cognition of duties of functional committees, the quality of the functional committees' decisions, the composition and election of the members of the functional committees, internal control, etc.</p> <p>(2) External assessment (every three years)</p> <p>On November 18, 2022, the Company engaged EY Business Management Consulting Service Co., Ltd. (hereinafter referred to as EY) to conduct the evaluation of the Board performance for 2022 in terms of structure, people, and process and information through documentation review, self-evaluation survey, and on-site interview. The evaluation ranged over the Board structure and process, Board members, corporate organization, roles and responsibilities, behavior and culture, director training and development, supervision of risk control, and supervision of reporting, disclosure, and performance.</p>

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

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

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

and functional committees.

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

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

- (1) Performance evaluation of the Board of Directors: At least include the level of participation in the Company's operations, the quality of the Board of Directors' decisions, the composition and structure of the Board of Directors, the election and continuous education of directors, internal control, etc.
- (2) Performance evaluation of individual Directors: at least including the mastery of the Company's objectives and tasks, the cognition of Directors' responsibilities, the degree of participation in the Company's operation, internal relationship management and communication, Directors' professional and continuous learning, internal control, etc.
- (3) Performance evaluation of the functional committees: At least include the level of participation in the Company's operations, the cognition of duties of functional committees, the quality of the functional committees' decisions, the composition and election of the members of the functional committees, internal control, etc.

(II) Operations of Audit Committee:

The Audit Committee is composed of all Independent Directors. The purpose of the Audit Committee is to assist the Board of Directors to fulfill its quality and integrity in supervising the Company's implementation of accounting, audit, financial reporting process and financial control.

The Audit Committee held 10 meetings in 2023, and the major matters reviewed as follows:

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

A total of 10 (A) meetings of the Audit Committee were held in the most recent year (2023). The attendance of independent directors is as follows:

Title	Name	Attendance in person (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Notes 1 and 2)	Remark
Independent Director	Hung, Pi-Lien	10	0	100%	None
Independent Director	Zhang, Yu-De	10	0	100%	None
Independent Director	Hsieh, Yi-Chun	10	0	100%	None

Other required disclosures:

- I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, contents of Independent Directors' objections, reservations or major proposals, and all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:
 - (I) Matters included in Article 14-5 of the Securities and Exchange Act:

Date of Audit Committee meeting	Period	Agenda	Contents of Independent Directors' objections, reservations or major proposals	The resolution results of the Audit Committee	Company's response regarding the Audit Committee's opinions
2023.2.20	The 6th meeting of the third term	(1) The Company intends to participate in cash capital increase through a private placement of its subsidiary, Uniplus Electronics Co., Ltd. (2) The Company's assessment of the independence of CPAs (3) Appointment of Certified Public Accountant of the Company: Yu, Chien-Ju/Lu, Chien-Wen, Ernst & Young	None	All the attending directors unanimously approved the proposal.	All the directors present unanimously approved the proposal.
2022.3.24	The 7th meeting of the third term	(1) Proposal for capital increase for subsidiaries, establishment of Indian subsidiaries, and adjustment of re-investment structure. (2) The Company intends to participate in cash capital increase through the subscription for preferred shares of San Jiang Electric Mfg Co.,Ltd. (3) The Company's business reports, parent company only financial statements, and consolidated financial statements for 2022 (4) Proposal for the Company's self-inspection on the internal control system for 2022 (5) Proposal to conduct private placed shares for public offering	None	All the attending directors unanimously approved the proposal.	All the directors present unanimously approved the proposal.
2023.5.12	The 8th meeting of the third term	(1) Proposal for 2022 dividend distribution (2) Proposal for issuance of new shares by capital increase from earnings for 2022 (3) 2023 Q1 Consolidated Financial Statements (4) Proposal for the amendments to partial provision of the Articles of Association. (5) Proposed issuance of restricted stock for employees (6) Proposed Adjustment of Investment Project (7) Recognition of Acquisition or Disposal of Assets	None	All the attending directors unanimously approved the proposal.	All the directors present unanimously approved the proposal.
2023.6.15	The 9th meeting of the third term	(1) Recognition of Acquisition or Disposal of Assets	None	All the attending directors unanimously approved the proposal.	All the directors present unanimously approved the proposal.
2023.7.21	The 10th meeting of the third term	(1) Proposal for funding loan to "Loftstar Interactive Entertainment Inc." by the Company	None	All the attending directors unanimously approved the proposal.	All the directors present unanimously approved the proposal.
2023.8.11	The 11th meeting of the third term	(1) 2023 Q2 Consolidated Financial Statements (2) Amendments to the 2023 Restricted Employee Rights New Stock Issuance Regulations	None	All the attending directors unanimously approved the	All the directors present unanimously approved the

		(3) 2023 Restricted Employee Stock Non-Manager Release Proposal		proposal.	proposal.
2023.9.12	The 12th meeting of the third term	(1) The Company's Capital Increase in "Lofistar Interactive Entertainment Inc."	None	All the attending directors unanimously approved the proposal.	All the directors present unanimously approved the proposal.
2023.10.20	The 13th meeting of the third term	(1) Amendments to the Company's "Regulations Governing the Prevention of Insider Trading," "Rules Governing the Organization of the Remuneration Committee," and its related "Internal Control System," and "Internal Audit System." (2) Proposed to participate in the UNIPLUS private placement of up to NT\$300 million (source of funds limited to capital increase and CB). (3) Proposed cash capital increase and issuance of new shares and the second domestic unsecured convertible bonds.	None	All members of the Audit Committee unanimously approved the proposal.	All the directors present unanimously approved the proposal.
2023.11.13	The 14th meeting of the third term	(1) 2023 Q3 Consolidated Financial Statements (2) 2024 Annual Audit Plan (3) Recognition of Acquisition or Disposal of Assets	None	All the attending directors unanimously approved the proposal.	All the directors present unanimously approved the proposal.
2023.12.15	The 15th meeting of the third term	(1) Sellback of San Jiang Electric's Class A Preferred Shares	None	All the attending directors unanimously approved the proposal.	All the directors present unanimously approved the proposal.

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

II. Where Independent Directors abstain in certain proposals for being a stakeholder, the name of the Independent Directors, the content of the proposal, reasons for abstentions and the results of voting counts shall be stated:

None.

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

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

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

- Note 1: Where Independent Directors resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual presence rate (%) shall be calculated using the number of the Audit Committee meetings convened and actual presence during the term of service.
- Note 2: When re-election is held for Independent Directors before the end of the year, members of both the new and old Independent Directors shall be listed in separate columns and noted as new, old or re-elected members, along with the elected date, in the Notes column. Actual presence rate (%) shall be calculated using the number of the Audit Committee meetings convened and actual presence during the term of service.

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

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance code of practice according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established its "Code of Corporate Governance" and published the information in relation to corporate governance on its official corporate website according to the requirements under relevant laws and regulations.	No material deviation.
II. Shareholding structure and shareholders' interests				
(I) Has the Company established internal procedures for handling shareholders' proposals, inquiries, disputes, and litigation? Are such matters handled according to such internal procedures?	✓		(I) The Company has a spokesperson to address the problems set out on the left.	No material deviation.
(II) Has the Company maintained a register of substantial shareholders with controlling power as well as a register of persons exercising ultimate control over those substantial shareholders?	✓		(II) Substantial shareholders shall notify the Company at the beginning of the month regarding the information on equity increase/decrease or pledge for the past month; the Company shall compile the equity information of all substantial shareholders and report to the Market Observation Post System.	
(III) Has the Company established and enforce risk control and firewall systems with its affiliated companies?	✓		(III) The division of responsibility and authority for personnel affairs, assets, and financial management shall be clearly defined and duly performed. The risk assessment and the appropriate firewall is duly implemented. The Company has established and duly complied with the "Regulations for the Management of Subsidiaries" and the "Regulations Governing Intercompany Financial Operations of Affiliates", and the audit personnel has been supervising the implementation regularly.	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(IV) Has the Company stipulated internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	✓		(IV) The Company has established the “Regulations for Preventing Insider Trading” to prevent insider trading and protect the interests of investors and the Company.	
<p>III. Composition and responsibilities of the Board</p> <p>(I) Has the Board of Directors established a diversification policy and concrete management goals, and has it been implemented accordingly?</p> <p>(II) Other than the Remuneration Committee and the Audit Committee required by law, does the Company plan to establish other functional committees voluntarily?</p> <p>(III) Did the Company stipulate regulations for performance evaluation of the board, and its evaluation method, and conduct performance evaluation on a yearly basis; and submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term?</p>	<p>✓</p> <p></p> <p>✓</p>	<p></p> <p>✓</p> <p></p>	<p>(I) The Board of Directors has established the diversification policy; the Board members generally have required knowledge, skills, and literacy for the execution of their responsibilities in respect with the operating practices or financial business of the Company. Diversification policy and the implementation are disclosed on the website of the Company.</p> <p>(II) The Company has established the Remuneration Committee and the Audit Committee required by law. There are currently no other functional committees.</p> <p>(III) The Company has established the "Methodologies for Evaluating the Performance of the Board" on January 11, 2017, and the Company distributed self-evaluation questionnaire to all members of the Board in December each year since 2017. Except for evaluating the operations of the Board, the questionnaire also required self-evaluations of the Board members.</p> <p>1. Internal Assessment Five aspects of the measurement for evaluating the performance of the Board: I. Participation in the operation of the Company. II. Improvement of the quality of the Board's</p>	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>decision-making;</p> <p>III. Composition and structure of the Board;</p> <p>IV. Election and continuing education of the Directors.</p> <p>V. Internal control.</p> <p>Six aspects of the measurement for evaluating the performance of the Board members:</p> <p>I. Alignment of the goals and missions of the Company.</p> <p>II. Awareness of the duties of a Director.</p> <p>III. Participation in the operation of the Company.</p> <p>IV. Management of internal relationship and communication.</p> <p>V. The Director's professionalism and continuing education.</p> <p>VI. Internal control.</p> <p>The five main criteria for performance evaluation of functional committees:</p> <p>I. Participation in the operation of the Company.</p> <p>II. Their recognition of the duties of the functional committees.</p> <p>III. The quality of decision made by the functional committees.</p> <p>IV. The composition of the functional committees and the election of their members.</p> <p>V. Internal control.</p> <p>After the recollection of questionnaires in January every year, the evaluation unit of the Company's Board will report the results of the questionnaires to the Board and provide recommendations for improvement. The aforementioned regulations and assessment results are disclosed on the Company's official website.</p> <p>The Company completed an internal evaluation in</p>	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(IV) Has the Company regularly implemented assessments on the independence of the	✓		<p>January 2024 and reported to the Board of Directors on January 23, 2024 the results of the performance evaluation of the Board of Directors, Board Members and Functional Committees.</p> <p>2. External Assessment On November 18, 2022, the Company engaged EY Business Management Consulting Service Co., Ltd. (hereinafter referred to as EY) to conduct the evaluation of the Board performance for 2022 in terms of structure, people, and process and information through documentation review, self-evaluation survey, and on-site interview. The evaluation ranged over the Board structure and process, Board members, corporate organization, roles and responsibilities, behavior and culture, director training and development, supervision of risk control, and supervision of reporting, disclosure, and performance.</p> <p>Overall, for the evaluation results of the board performance in 2022, the goals should be achieved. According to principles of corporate governance, improvement suggestions include the Board of Directors adopting domestic and international important political, regulatory, and industrial development trends as regular or ad-hoc reporting items, increasing director training, and establishing a nomination committee.</p> <p>The details and improvement suggestions of the aforesaid performance appraisal have been submitted to the Board of Directors on February 20, 2023, and applied to the reference of individual Directors' remuneration and nomination for re-appointment.</p> <p>(IV) The Company has engaged Ernst & Young for the certification, excused from its direct or indirect</p>	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
CPA?			<p>beneficial relationships, and has no matters lacking independence. The assessment for certification of CPA's independence by the Board of the Company every year as follows (the latest assessment was conducted by the Board on March 29, 2024): Upon review, the following conditions were met.</p> <ol style="list-style-type: none"> 1. Matters when it does not serve as the director, supervisor, managerial officer, or position with significant effects, nor stakeholders, and there are no direct or indirect interest conflicts. 2. Has not commissioned the certification services for seven years. 3. Obtain the independence declaration issued by the CPA on a regular basis. 	
IV. Did the TWSE/TPEX listed company has qualified and an appropriate number of corporate governance personnel, and appointed corporate governance directors responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information for operation, assisting directors and supervisors in following regulations, handling matters related to Board meetings and the shareholders' meetings in accordance with the regulations, preparing minutes for Board meetings and the shareholders' meetings, etc.)?	✓		<p>Finance Department of the Company is responsible for corporate governance affairs, and the deputy financial officer is responsible for supervision. The deputy financial officer is the director for corporate governance of the Company, a managerial officer of the Company, and has experiences in the management of legal affairs, finance, or stock affairs in publicly listed companies for more than three years. Corporate governance affairs and functional authority of corporate governance personnel include (but not limited to) the following:</p> <ol style="list-style-type: none"> I. Handling matters relating to Board meetings and shareholders' meetings according to laws, and assist the company in complying with relevant laws and regulations regarding Board meetings and shareholders' meeting. II. Producing minutes of Board meetings and shareholders' meetings. 	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			III. Assistance in Directors and Supervisors in their appointment and continuing education. IV. Provide the information required for the duties of Directors and Supervisors. V. Assisting Directors and Supervisors in compliance with laws and regulations. VI. Reporting to the Board of Directors on the examination results of the qualifications of independent directors regarding their nomination, election, and tenure in accordance with relevant laws and regulations. VII. Handling Director changes related matters. VIII. Other matters stated in the Articles of Association or contracts.	
			<u>Business performance for 2023:</u> I. A total of 10 audit meetings and 12 board meetings were convened in 2023 and the annual shareholders' meeting was convened on June 26, 2023: Carry out relevant procedures and complete minutes of board (shareholders') meeting. II. Handling the procedures for registration of change 4 times for 2023. III. Providing further education information and the amendment of the latest decrees to directors. IV. Handle the explanation session for the legal person on August 30, 2023 and handle investor's letter or call.	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies																						
	Yes	No	Summary																							
			<p>Further education for 2023 is as follows:</p> <table border="1"> <thead> <tr> <th>Start date</th> <th>End date</th> <th>Organizer</th> <th>Course name</th> <th>Training hours</th> <th>Total training hours in the current year</th> </tr> </thead> <tbody> <tr> <td>2023.11.22</td> <td>2023.11.22</td> <td>TABF</td> <td>ESG Corporate Social Responsibility</td> <td>3</td> <td rowspan="3">12</td> </tr> <tr> <td>2023.12.12</td> <td>2023.12.12</td> <td>Securities & Futures Institute</td> <td>Concepts, Practices and Tools for Group Tax Governance</td> <td>3</td> </tr> <tr> <td>2024.01.11</td> <td>2024.01.11</td> <td>Accounting Research and Development Foundation</td> <td>Management Perspective - Internal Control Failure Review</td> <td>6</td> </tr> </tbody> </table>	Start date	End date	Organizer	Course name	Training hours	Total training hours in the current year	2023.11.22	2023.11.22	TABF	ESG Corporate Social Responsibility	3	12	2023.12.12	2023.12.12	Securities & Futures Institute	Concepts, Practices and Tools for Group Tax Governance	3	2024.01.11	2024.01.11	Accounting Research and Development Foundation	Management Perspective - Internal Control Failure Review	6	
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V. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate social responsibilities?	✓		The Company respects and protects the legal interests of its stakeholders. Except for creating the communication contact in the Stakeholders Section on its Company website, the Company also has a spokesperson and deputy spokesperson to make proper responses to the material corporate social responsibilities issues that our stakeholders concern and provide a channel for smooth communication.	No material deviation.																						
VI. Has the Company engaged a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	✓		The Company engaged the Stock Affair Agency Department of Yuanta Financial Holding Co., Ltd as its stock affair agency.	No material deviation.																						
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding its	✓		(I) The corporate website of the Company has an Investor Section and Corporate Governance Section, disclosing	No material deviation.																						

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>financial business and corporate governance information?</p> <p>(II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)?</p> <p>(III) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial report of the first, second and third quarters and the operation of each month in advance before the specified time limit?</p>	<p>✓</p>	<p>✓</p>	<p>its complete information regarding financial report and turnover and information related to corporate governance (website: http://group.softstar.com.tw).</p> <p>(II) The Company adopts other methods for information disclosure:</p> <ol style="list-style-type: none"> 1. Established an English website. 2. Designate personnel to report and disclose financial and business information on the Market Observation Post System and the corporate website of the Company regularly and aperiodically. 3. Established a spokesperson system. <p>(III) The time limit for announcement and declaration of financial statements is as follows: annual financial report: within 3 months after the end of each fiscal year (before March 31); financial report of the first, second and third quarters: within 45 days after the end of each quarter (before May 15, August 14 and November 14). The dates for the announcement of financial statements for the first-third quarters of 2023 and the fiscal year of 2023: May 15, 2023, August 14, 2023, November 14, 2023 and April 1, 2024. Although the Company's annual financial report has not been announced within two months after the end of the year, the financial report and the revenue of each month have been announced within the time limit in accordance with the law.</p>	
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance	✓		<ol style="list-style-type: none"> 1. Employee rights: The Company treat its employees with good faith and attach great value to the labor-management relationship. The Company has established the Employee 	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors and Supervisors of the Company)?			<p>Welfare Committee, Labor Meeting, Labor Pension Committee, and has been improving employee rights through multiple welfare measures and training.</p> <p>2. Employee wellness: The Company holds employees' safety, mental and physical health in high regards, provides a comfortable and safe working environment for employees. The working premise is sterilized on a regular basis to improve the quality of the working environment. Free health inspection is provided for employees on a yearly basis to care for the physical health of our employees.</p> <p>3. Investor relations: The Company has a spokesperson, deputy spokesperson, as well as its stock affair agency, Stock Affair Agency "Department of Yuanta Financial Holding Co., Ltd.", to provide consultancy for shareholders and investors.</p> <p>4. Supplier relations: The Company maintains healthy relationships with its suppliers for the stability of costs and supplies.</p> <p>5. Rights of stakeholders: Stakeholders may communicate with and provide recommendations to the Company.</p> <p>6. Directors' and Supervisors' training records: The Company aperiodically provides programs regarding relevant regulations and professional knowledge to Directors and Supervisors for their perusals.</p> <p>7. Implementation of risk management policies and risk evaluation measures: The Company has established relevant risk management policies and risk measurement standards to carry out risk management and assessments.</p> <p>8. Implementation of customer relations policies: The Company specifies the credit limit management in customers' data, establishes complete profiles for</p>	

Assessment item	Operations (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>corresponding customers, and grants proper limit and collection conditions to ensure the smooth transactions. Furthermore, the Company values the privacy protection of consumers that it has been enforcing the protection of customers' data. The audit unit would perform unscheduled reviews.</p> <p>9. The Company has been purchasing insurance for the Directors and Supervisors of the Company since December 2007.</p>	
<p>IX. Specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved. (Not required for companies not included in the evaluation)</p> <p>Taiwan Stock Exchange's Corporate Governance Center published the corporate governance review result for 2023 in April 2024. The Company shall improve the following corporate governance review items in 2023: All Directors are encouraged to increase their training hours.</p>				

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

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

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

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

(1) Information of the members of Remuneration Committee

December 31, 2023

Identity (Note 1)	Name	Condition Professional qualification and experience (Note 2)	Independence (Note 3)	Number of other publicly listed companies where the individual concurrently serves as a member of the Remuneration Committee
Independent Director (Convener)	Hung, Pi- Lien	Refer to the relevant content of 3, 2, (1) Table 1 Directors and Supervisors	In compliance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange	1

Independent Director	Hsieh, Yi-Chun	Refer to the relevant content of 3, 2, (1) Table 1 Directors and Supervisors	In compliance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange	0
Independent Director	Zhang, Yu-De	Refer to the relevant content of 3, 2, (1) Table 1 Directors and Supervisors	In compliance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange	0

(Note)

- Note 1: Please specify in the form the relevant years of experience, professional qualifications and experience and independence of the members of the Remuneration Committee. If they are Independent Directors, please refer to the relevant content of Table 1 Directors and supervisors (I) on #pageOO#. Please fill as independent directors or others in the identity column (please annotate if the person is the convener).
- Note 2: **Professional qualification and experience:** Specify the professional qualifications and experience of individual members of the Remuneration Committee.
- Note 3: **Compliance in independence:** The compliance in independence of the members of the Remuneration Committee shall be stated, including but not limited to whether they, their spouse, or relatives within the second degree of kinship serve as directors, supervisors or employees of the Company or its affiliated companies; the number and percentage of the Company's shares held by them, their spouse, or relatives within the second degree of kinship (or in the name of others); whether they serve as directors, supervisors or employees of companies which has a specific relationship with the Company (please refer to the provisions of Article 6, Paragraph 1, Subparagraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); the amount of remuneration received for providing business, legal, financial, accounting and other services to the Company or its affiliated companies in the last two years.
- Note 4: For disclosure methods, please refer to the Other Codes of Corporate Governance Best-Practice on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

(2) Operations of Remuneration Committee

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

II. Term for this Remuneration Committee: From July 13, 2022 to May 26, 2025. A total of 7 (A) Remuneration Committee meetings were held in 2023. The information and attendance of the members was as follows:

Title	Name	Actual attendance rate (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Note)	Remark
Convener	Hung, Pi-Lien	7	0	100%	None
Member	Hsieh, Yi-Chun	7	0	100%	None
Member	Zhang, Yu-De	7	0	100%	None

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

Date of Meeting	Period	Agenda	Resolutions of the Remuneration Committee	The Company's actions in response to the opinions of the Remuneration Committee
2023.01.06	The 4th meeting of the sixth term	(1) Proposal for the adjustment of year-end bonus for senior managerial officers for 2022 (2) Manager Promotion Proposal and Salary Adjustment Proposal	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.
2023.03.24	The 5th meeting of the sixth term	(1) Proposal for the distribution of employee and Director remunerations for 2022 (2) Proposal for salary adjustment of the relevant managerial officers of the Company	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.
2023.05.12	The 6th meeting of the sixth term	(1) New Group Chief Investment Officer	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.

2023.07.21	The 7th meeting of the sixth term	(1) Amendments to the "Regulations on the Distribution of Employees' Remuneration" (2) Proposal for distribution of Directors' remuneration in 2022 (3) Proposal for distribution of managers' compensation within employee compensation in 2022 (4) Proposal for newly appointed managers	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.
2023.08.11	The 8th meeting of the sixth term	(1) 2023 Restricted Employee Rights IPO Manager Release Proposal	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.
2023.10.20	The 9th meeting of the sixth term	(1) Amendments to the Rules of Organization of the Remuneration Committee	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.
2023.12.15	The 10th meeting of the sixth term	(1) Proposal for the adjustment of managerial officers' remuneration (2) New manager appointment and salary remuneration plan	Approved by all members of the Remuneration Committee	All the directors present unanimously approved the proposal.

Other required disclosures:

- I. In the event the Board does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and term of the Board meeting, the content of proposals, resolution from the Board of Directors, and the Company's actions in response to the opinions of the Remuneration Committee (e.g. if the salaries and compensations approved by the Board was higher than the suggested levels from the Remuneration Committee, please state the differences and reasons): None.
- II. For the decisions made by the Remuneration Committee, which members voiced objection or reservation that are documented or issued through a written statement in addition to the above, all members' comments, and the measures for handling these comments shall be elaborated: None.

Note:

- (1) Where members of the Remuneration Committee resign before the end of the year, the Notes column shall

be annotated with the date of resignation. Actual presence rate (%) shall be calculated using the number of Remuneration Committee meetings convened and actual presence during the term of service.

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

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

The Company has not yet established a Nomination Committee.

(V) Implementation of promoting sustainable development and climate-related information

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

Implementation item	Execution (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Does the Company establish an exclusively (or part-time) dedicated unit for promoting sustainable development? Is the unit authorized by the Board of Directors to implement sustainable development activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	✓		Our Sustainable Development Team is headed by the President's Office, and is jointly promoted and organized by the Administration Division, the Human Resources Division, and the Employee Welfare Committee. They are primarily responsible for the proposal and execution of sustainable development policies, system, or related management directions, and the implementation status for fiscal year 2023 was reported to the Board of Directors on January 23, 2024.	No material deviation.
II. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 2)	✓		Where environmental, social and corporate governance issues have a significant impact on the Company's investors and other stakeholders, the Company will include them in the sustainable development issues and will work out risk management measures.	No material deviation.
III. Environmental Issues (I) Has the Company established proper environmental management systems based on the characteristics of their industries?	✓		(I) To reduce product packaging, the Company commits to focus on virtual sales channels. The Company recycles the packaging of its physical products according to recycling requirements, hoping to minimize the effects on the	No material deviation.

Implementation item	Execution (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
<p>(II) Has the Company committed to improving the efficient use of energy and utilized renewable resources with low environmental impact?</p> <p>(III) Does the Company assess the potential risks and opportunities brought by climate changes, both for now and in the future, and take measures to cope with?</p> <p>(IV) Does the Company conduct statistics on the greenhouse gas emissions, water consumption, and total weight of waste for the past two years, and correspondingly formulate policies for greenhouse gas reduction, water use reduction, or other waste management?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>environment. The Company is not in the manufacturing industry; therefore, ISO 14001 is not applicable.</p> <p>(II) The Company understands its social responsibilities, commits to the paperless e-policy, promotes and implements the usage of recycled paper and related products with Green Mark.</p> <p>(III) The Company adheres to energy conservation and carbon reduction, including improvement of lighting equipment, using electronic forms and documents, energy conservation, garbage classification, light-out lunch break, employees bringing their own cutlery, and resources recycling and reuse.</p> <p>(IV) The Company is located in the office building. It advocates the conservation and recycling of water consumption and waste quantity. In addition, the temperature control of the air conditioner is also regulated by the central system, so as to play the role of energy conservation and carbon reduction.</p>	
<p>IV. Social Issues</p> <p>(I) Has the Company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty?</p>	<p>✓</p>		<p>(I) In order to fulfill corporate social responsibility and protect the basic human rights of all employees, the Company identifies with and voluntarily follows the "Universal Declaration of Human Rights", the "United Nations Global</p>	<p>No material deviation.</p>

Implementation item	Execution (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
			<p>Compact", "United Nations Guiding Principles on Business and Human Rights", and "United Nations International Labor Organization" and other internationally recognized human rights standards. The Company aims to put an end to any violations of human rights, and abide by the labor-related laws and regulations where the Company is located.</p> <p>In accordance with relevant labor laws and regulations, human rights conventions, and occupational safety and health laws and regulations, the Company has formulated "Regulations Governing Employee Recruitment, Selection and Appointment", "Employee Work Rules", "Regulations Governing Workplace Sexual Harassment Prevention Measures, Complaints and Disciplinary Measures", "Abnormal Workload-Induced Disease Prevention Program", "Directions for Prevention and Management of Unlawful Infringement in the Performance of Duties", "Workplace Maternal Health Protection Program" and "Measures for Preventing and Managing Ergonomic Hazards", etc., to safeguard the rights and interests of employees and protect the health and safety of employees.</p>	

Implementation item	Execution (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(II) Has the company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	✓		(II) In addition to complying with the Labor Standards Act and related regulations, the Company cooperates with the Ministry of Labor to promote work-life balance projects, and organizes sports clubs and brainstorming board games.	
(III) Does the Company provides safe and healthful work environments for their employees and organizes training on safety and health for their employees on a regular basis?	✓		(III) The Company provides a good working environment, regularly implements employee health checks, and insures each employee with group insurance and travel insurance for business trips.	
(IV) Has the Company established an effective competency development career training program for employees?	✓		(IV) In order to improve the required skills and management abilities of employees for the performance of their duties, the Company provides subsidies to its employees to participate in classes for training and values its internal training and experience sharing.	
(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, marketing, and labeling and established related consumer protection and customer equity policies as well as grievance procedures?	✓		(V) The Company engages in the game industry and has customer services and customer complaints handling standards and procedures in place; multiple customer complaints channels are available, and there are also specialists responsible for handling customer complaints. The Company attaches extreme importance on the protection of its trademark and its corporate image. It also works with professional law firms for relevant consultancy, complies with regulations, and adopts necessary measures.	

Implementation item	Execution (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(VI) Has the Company formulated a vendor management policy requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health, or labor rights, and supervised their compliance?	✓		(VI) The Company collects relevant information before signing contracts with suppliers and adopts the measure of annual evaluation for suppliers. When selecting cooperating suppliers, the Company considers the policies of suppliers regarding all aspects of CSR. If products of such suppliers have significant effects on the environment and society, the Company requires such suppliers to make improvements. The contracts between the Company and its major suppliers have agreed on the unilateral contract termination terms. If the Company acknowledges that the suppliers are involved in any activities that violate Company CSR policies and that significantly affect the environment and society, the Company may unilaterally terminate the contracts.	
V. Did the company, following internationally recognized guidelines, prepare and publish reports such as its Sustainability Report to disclose non-financial information of the company? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?		✓	The Company has not yet publish a Sustainability Report.	The Company attaches great importance to the issue of corporate sustainability, and will prepare a Sustainability Report based on the actual circumstances and demands.

Implementation item	Execution (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
VI. Where the Company has stipulated its own sustainable development best practices principles according to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and the actual activities: The Company has established the “Sustainable Development Best Practice Principles”, and the operations have no significant deviation from the principles. The Company will continue to implement various events beneficial to the social welfare through topics of environmental protection, consumers rights, safety and hygiene, and social welfare, striving to fulfill our greatest purpose of “taken from society, give back to society.”				
VII. Other material information on the implementation of policies which contribute to the understanding of sustainable development: 1. Promote and implement concepts of environmental protection. 2. Value social care and provide help and support to vulnerable groups in society. 3. Attach importance to the cultural and artistic atmosphere and participate in public welfare events of art.				

Note 1: If "Yes" is checked in the operating status column, please explain the important policies, strategies, measures and implementation situations; if "No" is checked in the operating status column, please explain the circumstances and reasons in the column of "Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof", as well as provide relevant policies, strategies and measures to counter the situation in the future. However, regarding Implementation item one and two, TWSE/TPEX Listed Companies should disclose their governance and supervisory frameworks related to sustainable development. This includes, but is not limited to, management policies, strategy and goal-setting, review measures, etc. Specify the Company's risk management policies or strategies on environmental, social and corporate governance issues related to the Company's operations, and its status of assessment.

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

(2) Climate Information for TWSE/TPEX Listed Companies

1. Implementation of Climate-related Information

Item		Execution
1	Describe the Board's and management's oversight and governance of climate-related risks and opportunities.	The Board of Directors plays a supervisory and guiding role in the sustainability management strategy. It is expected that the Sustainability Development Committee, the Chief Sustainability Officer and the Sustainability Development Team will be established in 2024 to promote ESG issues.
2	Describe how the identified climate risks and opportunities affect the business, strategy and finances of the organization (short, medium and long term).	<p>The Company's significant short-, medium- and long-term climate risk and opportunity issues are as follows.</p> <p>Short-term risks include domestic carbon fee or carbon tax collection, an increase in electricity prices, and an increase in raw material costs due to foreign carbon tax collection. Short-term opportunity: Develop or expand low-carbon product services to enhance the Company's positive image.</p> <p>Mid-term risks: Potential losses may occur due to the implementation of carbon taxes in foreign countries, a target of 15% utilization of green energy in the manufacturing sector's electricity consumption by 2030, and disruptions in both domestic and international supply chains caused by extreme weather events and natural disasters.</p> <p>Long-term risks: Customer behavior changes.</p> <p>Financial impact: Facing potential financial risks of increasing operating costs and affecting revenue;</p> <p>Strategy and business direction: Expanding the Group's new business, such as expanding the business related to electric vehicle charging, gradually replacing energy-intensive equipment, and planning for a recycling mechanism for recycled water resources.</p>
3	Describe the financial impacts of extreme climate events and transformation actions.	<p>Extreme climate events: Based on the 4°C warming scenario, the Company's exposure to droughts, floods, rising average temperatures, and sea level rise in the future is low, and the probability of severe typhoons causing property damage is low to medium, but the financial impact is still low.</p> <p>Transformation initiatives: The Group has increased its business development related to electric vehicle charging, the use of energy-saving related equipment or green power to reduce electricity consumption and carbon emissions.</p>
4	Describe how the process of identifying, assessing and managing climate risk is	It is expected that the Sustainable Development Committee will be set up and an inter-departmental "Sustainable Development Team" will be established to set up scenarios

	integrated into the overall risk management system.	and propose discussion topics related to climate change, and then convene the relevant units to identify and evaluate the degree of impacts and financial impacts of climate risks, and to complete the short-, medium-, and long-term "climate-related risks" and the countermeasures on major issues, and to submit them to the "Sustainable Development Committee" for review and approval.
5	If scenario analysis is used to assess the resilience to climate change risk, the scenarios, parameters, assumptions, analytical factors, and key financial impacts should be described.	N/A
6	If there is a transition plan for managing climate-related risks, describe the plan and the metrics and objectives used to identify and manage entity and transition risks.	N/A
7	If internal carbon pricing is used as a planning tool, the basis for price setting should be specified.	N/A
8	If climate-related targets are set, information on the activities covered, the scope of greenhouse gas emissions, the planning period, and the annual progress of achievement should be described; if carbon offsets or renewable energy certificates (RECs) are used to achieve the relevant targets, the source and amount of carbon reduction credits offset or the amount of renewable energy certificates (RECs) should be described.	N/A
9	Greenhouse Gas Inventory and Confirmation of Status and Reduction Targets, Strategies and Specific Action Plans	N/A

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

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

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
them and review the prevention programs on a regular basis?			Conduct”to provide for highly unethical conducts (i.e., receiving bribery and misappropriation of public funds) within our business scope. Except for specifying unethical as a matter for dismissal in the code of conduct for employees, the Company will also file litigation based on the legal responsibilities of the related matters. The Company also regularly reviews and amends relevant operating procedures.	
<p>II. Implementing integrity operation</p> <p>(I) Does the Company assess the ethics records of whom it has business relationships with and include business conduct and ethics related clauses in the business contracts?</p> <p>(II) Has the company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p>	<p>✓</p> <p>✓</p>		<p>(I) Before any business dealings, the Company would collect information to assess the ethical corporate management status of counterparties, and make efforts to include ethical corporate management as the term of contracts or specify the ethical matters, and explain the ethical corporate management policies of the Company to the trading counterparties.</p> <p>(II) The Company has designated the Chairman's Office as the unit responsible for promoting ethical management, which is under the Board of Directors, and the Administration Division and the Human Resources Division will jointly promote the operation of the group, which will be responsible for formulating and supervising the implementation of policies and preventive</p>	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
(III) Has the Company established policies to prevent conflict of interests, provide appropriate communication and complaint channels, and implement such policies properly?	✓		<p>programs for ethical management, including the “Operation Procedure of Ethical Corporate Management and Conduct Guide”, “Whistle-blowing system” and “Code of Ethical Conduct”, which is under the Board of Directors. The implementation for 2023 was reported to the Board of Directors on January 23, 2024.</p> <p>(III) Where the Director has interests in the proposals at the Board meeting, the Director may address his/her opinions and provide consultancy; however, he/she shall abstain from the discussion and vote. When reviewing contracts, the Company shall check the relationship of the signing parties, nature of the contracting matters, and risks of potential conflict of interests in the course of performing contracts. When there are suspicious conflicts of interests upon the execution of duties, employees may consult the Legal Department and report to its immediate supervisor.</p>	
(IV) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise	✓		<p>(IV) The Company established its accounting and internal control system according to relevant regulations, including paying attention to related party transactions, establishing the system for price</p>	

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit? (V) Has the Company hosted regular internal and external training geared towards business integrity practices?	✓		inquiry/comparison/negotiation and approval system with hierarchical authorization. The Auditing Office also regularly audits the compliance status of the accounting system and internal control system and reports to the Board. (V) The Company regularly or aperiodically organizes communications and training.	
III. Operation of the Company's whistle-blowing system (I) Has the Company established specific complaint and reward procedures, set up conveniently accessible complaint channels, and designated responsible individuals to handle the complaint received? (II) Has the company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? (III) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓ ✓ ✓		The Company has a "Whistle-blowing System" in place, which sets out the responsible unit and provides for standard operating procedures for investigating the complaints received and relevant confidential mechanism, and stipulates protective terms for those who filed the complaints to prevent them from being mistreated due to such complaints.	No material deviation.
IV. Strengthening information disclosure (I) Does the Company disclose its ethical corporate management best practice principles as well as information about the implementation of such guidelines on its website and Market Observation Post System?	✓		The Company has established its official corporate website to disclose the "Ethical Corporate Management Best Practice Principles" of the Company and relevant information	No material deviation.

Assessment item	Operations (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary	
V. Where the Company has stipulated its own ethical corporate management best practices according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and the actual activities taken by the company: The Company has established its own “Ethical Corporate Management Best Practice Principles”, and the operations have no material deviation from the Principles.				
VI. Other material information contributes to understanding the ethical corporate operations of the Company: (i.e. Company review and make amendments to its ethical corporate operations) The Company implements regulations on the avoidance of conflict of interest in its ethical corporate management. In the event of an agenda item representing a conflict of interest for a director of for the entity he or she represents, the said director shall disclose the conflict of interest at the current Board meeting and refrain from discussion or vote on the matter. He or she shall be recused during discussion or vote on the matter and shall not exercise the right to vote on behalf of any other directors of the Board.				

Note 1: Regardless of ticking “Yes” or “No” for operations, a description is required in the Summary column.

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

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

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

(IX) Implementation of the internal control system

1. Internal control statement

SOFTSTAR ENTERTAINMENT INC.

Internal control system statement

Date: March 29, 2024

The Company hereby states the results of the self-evaluation of the internal control system for 2023 as follows:

- I. Company acknowledges that the establishment, implementation, and maintenance of the internal control system is the responsibility of the Company's Board of Directors and managerial officers, and the Company had established the system. The objectives of internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
- II. The internal control system has inherent limitations, regardless of how complete is its design; an effective internal control system may only provide reasonable assurance regarding the three objectives described above. Also, subject to the changes of environment and circumstances, the effectiveness of the internal control system may alter. However, the internal control system of the Company has a self-monitoring mechanism in place; once a defect is identified, the Company will take immediate rectifying actions.
- III. The Company determine the validity for the design and execution of the internal control system based on the criteria for the effectiveness of the internal control system provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter, the "Regulations") The criteria for the internal control system adopted by the Regulations are divided into five components in accordance with the procedure s of management control: 1. control environment; 2. risk assessment; 3. control operations; 4. information and communication; and 5. monitoring operations. Each constituent element includes a number of categories. Each component includes several criteria. Please see the requirements under the Regulations for the above criterion.
- IV. The Company has adopted the aforementioned assessment items of the internal control system to evaluate the effectiveness of ICS design and implementation.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2023, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. The Statement will become the primary content in the annual report and prospectuses of the Company and will be made public. Falsehood, concealment, or other illegality in the above content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was approved by the Board of Directors in their meeting held on March 29, 2024, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

SOFTSTAR ENTERTAINMENT INC.

Chairman:

Signature/Stamp

President:

Signature/Stamp

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

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

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

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

The 2023 Annual Meeting of Shareholders of the Company was held on June 26, 2023, in Conference Room 203, 2nd Floor, NO.123, Songren Road, Xinyi District, Taipei City (Hua Nan Bank International Convention Center). The resolutions approved by the attending shareholders at the meeting are as follow:

(1) Approval of 2022 Business Report and Financial Statements.

(2) Approval of the 2022 Earnings Distribution Proposal.

Implementation status: The annual after-tax net profit for 2022 was NT\$624,486,236. According to law, the legal reserve and special reserve reversed were appropriated; and after the retained earnings at the beginning of the period were added, the amount of the distributable earnings was NT\$901,495,199. Therefore, it is proposed to pay shareholders dividends of NT\$296,635,359, including a stock dividend of NT\$169,505,920 and a cash dividend of NT\$127,129,439. After the earnings distribution, the balance of the earnings at the end of the period was NT\$604,859,840. The ex-dividend date was September 3, 2023, and the distribution date was September 28, 2023.

(3) Proposal for the amendments to partial provision of the Articles of Association.

Implementation status: The registration of amendments was completed on July 12, 2023.

(4) Discussion of the Company's 2022 capitalization of earnings and issuance of new stocks.

Implementation status: Distributable earnings of NT\$169,505,920 for 2022 were allocated and 16,950,592 new common shares were issued to increase the capital: The Securities and Futures Bureau declared on July 25, 2023 and completed registration of change on September 18, 2023.

(5) Issuance of restricted stock for employees

Circumstances: Proposed issuance of 2,500,000 new shares with restricted employees' rights, to be issued in one or several installments within two years from the date of the notification of the competent authority's filing of the report to be effective; filed by the Securities and Futures Bureau to be effective on July 31, 2023, the Board of Directors' meeting resolved on August 11, 2023 to issue 1,670,000 shares, and the registration of the change on September 1, 2023 was completed.

2. Significant resolutions of the Board meeting

The Company has convened 16 Board meetings during 2023 and up to the date of printing the annual report in 2024; the summary for significant resolutions are as follow:

(1) 2023:

Date	Term of the Board meeting	Significant resolution
2023.01.06	1st meeting in 2023	(1) Reinvestment Recognition Case (2) Proposal for the adjustment of year-end bonus for senior managerial officers for 2022 (3) Manager Promotion Proposal and Salary Adjustment Proposal
2023.02.20	2nd meeting in 2023	(1) Participation in a private placement of cash capital increase by a subsidiary, Uniplus Electronics Co., Ltd. (2) Proposal for new site selection of the Company (3) Assessment of the independence of CPAs (4) Appointment of the Company's CPAs (5) Amendments to the Company's "Sustainable Development Best Practice Principles" and "Code of Corporate Governance" (6) Reinvestment Recognition Case
2023.03.24	3rd meeting in 2023	(1) Proposal for salary adjustment of the relevant managerial officers of the Company (2) Capital increase for subsidiaries, establishment of Indian subsidiaries, and adjustment of re-investment structure (3) The Company intends to participate in cash capital increase through the subscription for preferred shares of San Jiang Electric Mfg Co.,Ltd. (4) Reinvestment Recognition Case (5) Proposal for the distribution of employee and Director remunerations for 2022 (6) Business reports, parent company only financial statements, and consolidated financial statements for 2022 (7) Proposal for the budget and operating plans for 2023 (8) Proposal for application for bank financing (9) Proposal for self-inspection on the internal control system for 2022 (10) Proposal to conduct private placed shares for public offering (11) Proposal to lift the non-competition restriction on the managerial officers. (12) Proposal for the convening date and relevant matters for the annual shareholders' meeting for 2023 (13) Handling Shareholder Proposal Matters

Date	Term of the Board meeting	Significant resolution
2023.05.12	4th meeting in 2023	<ul style="list-style-type: none"> (1) New Group Chief Investment Officer (2) Distribution of 2022 earnings. (3) Proposal for issuance of new shares by capital increase from earnings for 2022 (4) 2023 Q1 Consolidated Financial Statements (5) Proposal for the amendments to partial provision of the Articles of Association. (6) Proposed issuance of restricted stock for employees (7) Proposed Adjustment of Investment Project (8) The Company's Capital Increase in “Loftstar Interactive Entertainment Inc.” (9) Acquisition and disposal case (10) Matters arising from the 2023 General Shareholders' Meeting (new motion) (11) Proposal to lift the non-competition restriction on the managerial officers.
2023.06.15	5th meeting in 2023	<ul style="list-style-type: none"> (1) Proposal for application for bank financing (2) Recognition of Acquisition or Disposal of Assets (3) Recognition of Acquisition or Disposal of Assets
2023.07.21	6th meeting in 2023	<ul style="list-style-type: none"> (1) Amendments to the "Regulations on the Distribution of Employees' Remuneration" (2) Proposal for distribution of Directors' remuneration in 2022 (3) Proposal for distribution of managers' compensation within employee compensation in 2022 (4) Proposal for newly appointed managers (5) Proposal for funding loan to “Loftstar Interactive Entertainment Inc.” by the Company (100% subsidiary) (6) Proposal to lift the non-competition restriction on the managerial officers. (7) Capital Increase of 100% Subsidiary Gamebase Digital Media Corporation
2023.08.11	7th meeting in 2023	<ul style="list-style-type: none"> (1) 2023 Q2 Consolidated Financial Statements (2) Amendments to the 2023 Restricted Employee Rights New Stock Issuance Regulations (3) 2023 Restricted Employee Rights New Share Offering (4) 2023 Restricted Employee Rights New Shares Issue Date (5) Adjustment of the Dividend Payout Ratio and Rights Issue Ratio for Fiscal Year 2022 (6) Draft the proposal for ex-dividend base date

Date	Term of the Board meeting	Significant resolution
		of cash dividends, base date of earnings and new shares for capital increase for 2022. (7) Retroactive Acquisition of Shares of Sun Tech Co., Ltd. (8) Proposal for application for bank financing
2023.08.28	8th meeting in 2023	(1) Reinvestment through subsidiaries of the Company
2023.09.12	9th meeting in 2023	(1) The Company's Capital Increase in "Loftstar Interactive Entertainment Inc." (2) Application for bank financing
2023.10.20	10th meeting in 2023	(1) Amendments to the Company's "Regulations Governing the Prevention of Insider Trading," "Rules Governing the Organization of the Remuneration Committee," and its related "Internal Control System," and "Internal Audit System." (2) Proposed Participation in the Private Placement of Uniplus Electronics Co., Ltd. (3) Proposed cash capital increase and issuance of new shares and the second domestic unsecured convertible bonds.
2023.11.13	11th meeting in 2023	(1) 2023 Q3 Consolidated Financial Statements (2) Passed the 2024 Annual Audit Plan (3) Proposal for application for bank financing (4) Proposal to lift the non-competition restriction on the managerial officers. (5) Acquisition and disposal case
2023.12.15	12th meeting in 2023	(1) Recognition of Manager's Salary Adjustment (2) New manager appointment and salary remuneration plan (3) Proposal for application for bank financing (4) Sellback of San Jiang Electric's Class A Preferred Shares (5) The Company's investment in the establishment of a 100% owned subsidiary, Zhu International Group INC.

(2) For 2024 up to the date of printing the Annual Report:

Date	Term of the Board meeting	Significant resolution
2024.01.23	1st meeting in 2024	<ul style="list-style-type: none"> (1) Proposal for the adjustment of year-end bonus for senior managerial officers for 2023 (2) List of Non-Confirm Services Expected to be Provided by Ernst & Young and its Affiliates in 2024 (3) Establishment of the "Code of Conduct for Financial Operations between Related Parties". (4) Investment in Japan by a subsidiary, Zhu International Group INC. (5) Capital Increase of Subsidiary, Zhu International Group INC. (6) Disposal of Partial Recognition of Equity Interests in Chander Electronics Corp. (7) Proposal for application for bank financing
2024.03.15	2nd meeting in 2024	<ul style="list-style-type: none"> (1) 2023 Annual Summarized Financial Statements (2) Proposal to lift the non-competition restriction on the managerial officers. (3) Recognition of Acquisition or Disposal of Assets
2024.03.29	3rd meeting in 2024	<ul style="list-style-type: none"> (1) The Company's business reports, parent company only financial statements, and consolidated financial statements for 2023 (2) The Company's assessment of the independence of CPAs (3) Internal Control System Effectiveness and Internal Control System Statement for the Year 2023 (4) Proposal for the budget and operating plans for 2024 (5) Proposal for the convening date and relevant matters for the general shareholders' meeting for 2024 (6) Procedure of receiving and handling shareholders' proposals
2024.04.29	4th meeting in 2024	<ul style="list-style-type: none"> (1) Appointment of the Company's CPAs (2) Proposal for the adjustment of managerial officers' remuneration (3) Proposal of conducting private placement of common shares. (4) Distribution of 2023 earnings. (5) Proposal for the amendment to the "Procedures for the Acquisition or Disposal of Assets".

Date	Term of the Board meeting	Significant resolution
		(6) Discussion of lifting the non-compete restrictions on directors and their representatives. (7) Addition of the matter of the motion to convene the 2024 general shareholders' meeting of the Company

- (XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board of directors during the most recent year and up to the date of publication of this annual report: None.
- (XIII) Summary of resignations and dismissals of the Company's Chairman, President, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, and R&D Supervisor, etc., during the most recent fiscal year and up to the date of publication of the annual report: None.

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

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

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

Unit: NT\$1,000

Name of the accounting firm	Name of CPA	Auditing period for the CPA	Audit fees	Non-audit fees	Total	Remark
Ernst & Young	Yu, Chien-Ju	2023.01.01~2023.12.31	4,130	675	4,805	Note 1
	Lu, Chien-Wen	2023.01.01~2023.12.31				

Note 1: Non-Audited Services:

Including: \$25 thousand for seal change registration fee; \$40 thousand for free allotment of new shares change registration fee; \$40 thousand for change registration fee for restricted stock issuance; \$370 thousand for reporting services for private placement reissuance, capital increase issuance, and restricted stock issuance; and \$200 thousand for review of PPA reports of Sun Tech and Niusnews.

VI. Information on the changes of CPA: None.

VII. Where the Company's Chairman, President, or any managerial officer in charge of finance or accounting matters has, during the past year, held a position at the accounting firm of its CPA or at an affiliated company of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

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

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

Unit: share

Title (Note 1)	Name	2023		As of April 29, 2024	
		Change in shares held	Change in number of pledged shares	Change in shares held	Change in number of pledged shares
Chairman and Vice President of Investment	Tu, Chun-Kuang	0	0	0	0
Director/Major Shareholder	Angel Fund (ASIA) Investments Limited, British Cayman Islands	0	0	0	0
Director	Global Angel Investments Limited	1,581,988	(4,643,300)	(10,000)	650,000
Director	Oriental Golden Richness LTD	2,845,926	2,876,000	0	850,000
Independent Director	Hung, Pi-Lien	0	0	0	0
Independent Director	Zhang, Yu-De	0	0	0	0
Independent Director	Hsieh, Yi-Chun	0	0	0	0
President	Tsay, Ming-Hung	160,525	0	0	0
Vice President	Chen, Yao-Tien	115,028	0	(18,000)	0
Vice President	Lin, Hui-Zhen	128,607	0	0	0
Vice President	Chuang, Jen-Chu'an	139,227	0	0	0
Vice President	Lin, Yun-Hua	111,381	0	(9,000)	0
Vice President	Yeh, Ying-Yin (Note 1)	0	0	0	0
Assistant General Manager	Shen, Yong-Xuan	0	0	0	0
Assistant General Manager	Chen, Yi-Fang	67,612	0	0	0
Assistant General Manager	Xie, Shu-Jin	10,786	0	0	0

Title (Note 1)	Name	2023		As of April 29, 2024	
		Change in shares held	Change in number of pledged shares	Change in shares held	Change in number of pledged shares
Assistant General Manager	Liang, Jian-Zhang	25,844	0	0	0
Assistant General Manager	Lu, Zhi-Xiang	29,971	0	0	0
Assistant General Manager	Hou, Li-Ling (Note 2)	25,943	0	0	0
Assistant General Manager	Yu, I-Jo (Note 3)	0	0	0	0

Note 1: Shareholders holding more than 10% of the total shares of the Company shall be annotated as substantial shareholders, and shall be presented separately.

Note 2: If the counterparty of the transfer or pledge of shares is a related person, fill out the following table.

Note I: Newly appointed as of December 15, 2023

Note II: Newly appointed as of January 5, 2023

Note III: Newly appointed as of July 21, 2023

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

Unit: shares/NT\$

Name (Note 1)	Reason for shares transfer (Note 2)	Transfer Date	Counterparty of shares transfer	The relationship between the counterparty of shares transfer and the company, Directors, Supervisors, managerial officers, and shareholders with shareholding ratios of 10%	Number of shares	Transfer price
Angel Fund (ASIA) Investments Limited	Disposal	2023/10/23	Global Angel Investments Limited	Representative of the companies is the same person	240,467	65.80
			Oriental Golden Richness LTD		1,500,000	

Note 1: Specify the name of Directors, Supervisors, managerial officers, and shareholders with shareholding ratios of 10%.

Note 2: Specify acquisition or disposal.

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

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

April 29, 2024

Unit: share

Name (Note 1)	Shares held in person		Shares held by spouse and minors		Total shares held in the name of another person		Name and relationship, if, among the top ten substantial shareholders, any one of them is a related party, or is the spouse or a relative within the second degree of kinship of another. (note 3)		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or name of the person)	Relationship	
Oriental Golden Richness LTD	9,708,162	9.35%	0	0	0	0	Note 4	Note 4	
Oriental Golden Richness LTD Representative: Tu, Chun-Kuang	0	0	0	0	26,997,214	25.99%	Note 4	Note 4	
AngelFund(Asia)InvestmentsLimited	8,581,682	8.26%	0	0	0	0	Note 4	Note 4	
AngelFund(Asia)InvestmentsLimited Representative: Tu, Chun-Kuang	0	0	0	0	26,997,214	25.99%	Note 4	Note 4	
Global Angel Investments Limited	7,545,018	7.26%	0	0	0	0	Note 4	Note 4	
Global Angel Investments Limited Representative: Tu, Chun-Kuang	0	0	0	0	26,997,214	25.99%	Note 4	Note 4	
Uniplus Electronics Co., Ltd.	6,370,290	6.13%	0	0	0	0	Note 4	Note 4	
Uniplus Electronics Co., Ltd. Representative: Tu, Chun-Kuang	0	0	0	0	26,997,214	25.99%	Note 4	Note 4	
Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments Limited	1,158,880	1.12%	0	0	0	0	Note 4	Note 4	

Name (Note 1)	Shares held in person		Shares held by spouse and minors		Total shares held in the name of another person		Name and relationship, if, among the top ten substantial shareholders, any one of them is a related party, or is the spouse or a relative within the second degree of kinship of another. (note 3)		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or name of the person)	Relationship	
Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments Limited Representative: Tu, Chun-Kuang	0	0	0	0	26,997,214	25.99%	Note 4	Note 4	
Taipei Fubon Commercial Bank has been entrusted with the custody of Softstar Entertainment Inc.'s employee voting and dividend distribution rights restricted stock trust account	825,000	0.79%	0	0	0	0	None	None	
Toptrend Technologies Corp.	820,548	0.79%	0	0	0	0	None	None	
Li, Tsung-Ju	730,000	0.70%	0	0	0	0	-	-	
Chander Electronics Corp.	623,186	0.60%	0	0	0	0	None	None	
Chao, Jui-Hsing	615,494	0.59%	0	0	0	0	-	-	

Note 1: All the top ten shareholders shall be listed. For corporate shareholders, their names and the name of their representatives shall be listed separately.

Note 2: The calculation of shareholding ratios refers to the shareholding ratio calculated based on the name of oneself, spouse, minors, or in the name of another person.

Note 3: Relationships between the aforementioned shareholders, including corporate shareholders and natural person shareholders shall be disclosed based on the financial reporting standards used by the issuer.

Note 4: Angel Fund (Asia) Investments Limited, Global Angel Investments Limited, Uniplus Electronics Co., Ltd., Oriental Golden Richness Ltd., Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments Limited: The representatives of the aforementioned companies are all Mr. Tu, Chun-Kuang; the relationship among all the companies is that their representatives is the same person.

X. Shares held by the Company, its Directors, Supervisors, managerial officers, and investee companies either directly or indirectly controlled by the Company, and the ratio of consolidated shares held: None.

Chapter 4. Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Formation of Capital

Unit: NT\$

April 29, 2024

Year/Month	Issue Price	Authorized Capital		Paid-up capital		Remark		
		Number of Shares (shares)	Amount	Number of Shares (shares)	Amount	Source of Capital	Contribution by Property Other than Cash	Other
2023.09	0	130,000,000	1,300,000,000	86,932,959	869,329,590	Issue of 1,670,000 new shares of restricted stock rights.	None	September 1, 2023 Jing-Shou-Shang-Zi Document No. 11230162730 was approved
2023.09	0	130,000,000	1,300,000,000	103,883,551	1,038,835,510	Capital increase by retained earnings 16,950,592 shares.	None	September 18, 2023 Jing-Shou-Shang-Zi Document No. 11230180190 was approved

2. Type of Shares

April 29, 2024; Unit: shares

Type of Shares	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common shares	103,883,551	26,116,449	130,000,000	
Total	103,883,551	26,116,449	130,000,000	

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

(II) Shareholder Structure:

April 29, 2024 ; Unit: Person, shares

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Individuals	Total
Number of people	-	-	179	29,305	33	29,517
Number of shares held	-	-	27,865,416	65,283,423	10,734,712	103,883,551
Shareholding ratio	-	-	26.83%	62.84%	10.33%	100.00%

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

(III) Diffusion of Ownership

1. Common shares

Par value: NT\$10/share April 29, 2024; Unit: Person, share

Scale of Shareholding	Number of Shareholders	Number of shares held	Shareholding ratio
1 ~ 999	16,556	1,285,563	1.24%
1,000 ~ 5,000	10,578	21,170,455	20.38%
5,001 ~ 10,000	1,293	9,580,266	9.22%
10,001 ~ 15,000	436	5,415,953	5.21%
15,001 ~ 20,000	186	3,326,091	3.20%
20,001 ~ 30,000	204	5,067,153	4.88%
30,001 ~ 40,000	78	2,718,130	2.62%
40,001 ~ 50,000	52	2,379,199	2.29%
50,001 ~ 100,000	69	4,662,695	4.49%
100,001 ~ 200,000	38	5,027,676	4.84%
200,001 ~ 400,000	10	2,802,254	2.70%
400,001 ~ 600,000	7	3,469,856	3.34%
600,001 ~ 800,000	3	1,968,680	1.90%
800,001 ~ 1,000,000	2	1,645,548	1.58%
1,000,001 or more	5	33,364,032	32.11%
Total	29,517	103,883,551	100%

2. Preferred shares: None.

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

Unit: Share; April 29, 2024

Shares	Number of shares held	Shareholding ratio
Oriental Golden Richness LTD	9,708,162	9.35%
Angel Fund (Asia) Investments Limited	8,581,682	8.26%
Global Angel Investments Limited	7,545,018	7.26%
Uniplus Electronics Co., Ltd.	6,370,290	6.13%
Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments Limited	1,158,880	1.12%
Taipei Fubon Commercial Bank has been entrusted with the custody of Softstar Entertainment Inc.'s employee voting and dividend distribution rights restricted stock trust account	825,000	0.79%
Toptrend Technologies Corp.	820,548	0.79%
Li, Tsung-Ju	730,000	0.70%
Chander Electronics Corp.	623,186	0.60%
Chao, Jui-Hsing	615,494	0.59%

Note: Special account for Yuanta Commercial Bank as Custodian of Investments of Angel Fund (Asia) Investments Limited is the special account opened by the Company's director, Angel Fund (Asia) Investments Limited; therefore, the number of shares held by Angel Fund (Asia) Investments Limited totaled 9,740,562.

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

Unit: NT\$
(Unless otherwise stated)

Item	Year	2022	2023	As of April 29, 2024 (Note 8)
Market price per share (Note 1)	Highest	112.50	119.50	86.20
	Lowest	42.30	55.10	68.00
	Average	74.43	74.68	74.48
Net worth per share (Note 2)	Before distribution	19.97	15.66	N/A
	After distribution	18.69	(Note 2)	N/A
Earnings per share (NT\$)	Weighted average number of shares (in thousand of shares)	99,877	98,735	N/A
	Earnings per share (Note 3)	7.48 (Before adjustment) 6.20 (After adjustment)	(3.39)	N/A

Item	Year		2022	2023	As of April 29, 2024 (Note 8)
	Dividend per share	Cash dividends		1.5	-
Stock dividends		Surplus earnings	2.0	-	N/A
		Capital reserve	-	-	N/A
Unpaid dividends (Note 4)		0	0	N/A	
Return on investment	Price-to-earnings ratio (Note 5)		9.95	(22.03)	N/A
	Price-to-dividend ratio (Note 6)		49.62	-	N/A
	Dividend yield (Note 7)		2.02%	-	N/A

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

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

Note 2: The number of shares that have been issued by the end of the year or the resolution at the shareholders' meeting in the following year shall apply.

The Board of Directors of the Company on April 29, 2024 approved a proposal not to distribute the 2023 earnings, but this has not yet been approved by the 2024 shareholders' meeting as of the date of publication of the annual report.

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

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

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

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

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

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

(VI) Dividend Policy and Its Implementation

1. Dividend Policy:

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

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

The Company is the year 2023, so no dividend distribution will be made.
(Approved by the Board of Directors of the Company on April 29, 2024)

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

The Company is the year 2023, so no dividend distribution will be made. (Approved by the Board of Directors of the Company on April 29, 2024)

(VIII) Remuneration Paid to Employees and Directors and Supervisors

1. Percentage or Range of Remuneration Paid to Employees and Directors and Supervisors as Set Forth in the Company's Articles of Incorporation:

The Company's Articles of Incorporation specify the following:

If the Company makes a profit in the year, at least 3% of the profit shall be allocated for employees' compensation and no more than 3% shall be allocated for Directors' compensation. However, the Company shall reserve a portion of profit to make up for accumulated losses (including adjusted unallocated earnings from previous years), if any.

The Board of Directors shall issue the employee compensation in the preceding paragraph in the form of stocks or cash distribution, and the objects of the issuance shall include employees of the subordinate companies that meet the conditions set by the Board of Directors. The Director compensation of the preceding paragraph is only paid in cash.

The compensation distribution of the employees and Directors shall be subject to the resolution of the Board of Directors, and shall be reported to the Shareholders' Meeting.

2. Accounting Treatments when Differences Occur between Estimated and Actual Distributed Amount of Employee, Director, and Supervisor Compensation:

The annual amount of employee remuneration and director remuneration is calculated and estimated based on the profit (after offsetting accumulated losses) made for the year and the percentage set forth in the Articles of Incorporation. The discrepancy between the amount approved by the Board of Directors and the estimate, if any, shall be accounted for as changes in the accounting estimate and recognized as profit or loss for the year of approval by the Board of Directors.

3. Distribution of Remuneration Approved by the Board of Directors:

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

(A) The proposal for the distribution of 2023 employee and director remuneration:

The Company did not distribute employee and director remuneration in 2023 due to a loss.

(B) If there is a difference in actual distributed amount to employees and directors and estimated expense for 2023, the difference of the value as well as reason for deviation and accounting treatment shall be disclosed:

The Company did not distribute employee and director remuneration in 2023 due to a loss.

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

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

(1) The proposal for the distribution of 2022 employee and director remuneration (approved by the Board of Directors on March 24, 2023):

(A) Employee remuneration: NT\$21,397,530 (in the form of cash).

(B) Director remuneration: NT\$7,132,510 (in the form of cash).

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

There is no difference between the estimated and actual distributed amount in the 2022 employee and director remuneration.

(IX) Repurchase of the Company's Shares:

April 29, 2024

Repurchase term	Sixth
Repurchase purpose	For the transfer of shares to employees
Repurchase period	December 14, 2022 to February 13, 2023
Repurchase price range (NT\$)	40.00~70.00
Types and quantities of repurchased shares (shares)	Common stock 510,000 shares
Amount of repurchased shares (NT\$)	NT\$31,225,163
Ratio of repurchased quantity to scheduled repurchased quantity (%)	51%
Number of shares cancelled and transferred	0 shares
Cumulative number of the Company's shares held (shares)	510,000 shares
Ratio of cumulative number of the Company's shares held to the total number of issued shares (%)	0.49%

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Global Depository Receipts: None.

V. Employee Stock Options: None.

VI. New Restricted Employee Shares:

(I) New Restricted Employee Shares:

April 29, 2024

Type of New Restricted Employee Shares (Note 1)	1st (period) in 2023 New Restricted Employee Shares
Declaration Effective Date	July 31, 2023
Issue Date (Note 2)	August 11, 2023
Number of New Restricted Employee Shares in Issue	1,670,000 shares
Number of New Restricted Employee Shares Remaining to Be Issued	830,000 shares
Issue Price	Allotment of NT\$0 per share at no consideration
Number of New Restricted Employee Shares in Issue as a Percentage of Total Number of Shares in Issue	1.61%
Vesting Conditions	<ol style="list-style-type: none"> Employees who have been employed by the Company since the date of issuance of the new restricted employee shares and whose performance appraisal for the most recent period on the date of issuance was Grade A, will be entitled to 50% of the number of shares allocated to them. Employees who have been employed by the Company for 16 months from the date of issuance of the new restricted employee shares and whose most recent performance appraisal on the date of issuance is classified as A will be entitled to receive the remaining 50% of the shares allotted to them.
Restricted Rights of New Restricted Employee Shares	<ol style="list-style-type: none"> Prior to the fulfillment of the vesting conditions, employees who have been allocated new shares may not sell, pledge, transfer, donate, or otherwise dispose of the restricted stock for employees, except in the case of inheritance. After the employee meets the vesting conditions, the shares will be transferred from the trust account to the employee's personal depository book-entry account in accordance with the provisions of the trust custody contract. The attendance, proposal, speaking, voting, and voting rights of the shareholders' meeting shall be executed in accordance with the trust custody contract. Employees with the restricted stocks for employees will

	<p>have the right to participate in dividend distribution for the new shares they acquire, and the distributed dividends will not be subject to any restrictions of vesting period, and will be transferred from the trust account to the employees' personal accounts within one month of the distribution date.</p> <p>4. Except as provided in the above trust agreement, the restricted stock for employees allocated under this measure shall have the same rights as common shares already issued by the Company, including but not limited to dividends, bonus, rights to receive additional paid-in capital, and rights to subscribe for new shares in cash capital increases, until the vesting conditions are met.</p> <p>5. During the vesting period, if the Company conducts cash capital reduction, capital reduction to make up for losses, or other capital reduction not due to statutory capital reduction, the restricted stock for employees shall be cancelled according to the proportion of capital reduction. If it is a cash capital reduction, the returned cash must be delivered to the trust/custody, and can only be delivered to the employee after the vesting conditions are met; However, if the vesting conditions are not met, the Company will reclaim the cash.</p>
<p>Custodial Situation of New Restricted Employee Shares</p>	<p>A total of 835,000 shares were delivered to the Trust Depository.</p>
<p>Handling of employees who have not fulfilled the vesting conditions after allotment or subscription of new shares</p>	<p>1. If an employee who has been allotted new restricted employee shares voluntarily quits his/her job, is dismissed, retired, or applies for transfer to a related company within 16 months, the Company shall recover from the employee any unvested shares that have not yet been allotted to him/her.</p> <p>2. In the event that an employee violates the Company's labor contract or work rules, the Company may, depending on the severity of the case, recover the unvested shares from the employee without compensation.</p> <p>3. In the event of disability or death due to an occupational disaster or death in general, the new restricted employee shares that have not yet vested shall be handled in the following manner:</p> <p>(1) New restricted employee shares that have not yet been vested due to disability resulting from an occupational disaster shall be deemed to have been vested as of the effective date of the employee's separation from service.</p> <p>(2) New restricted employee shares that have not yet been vested due to an occupational disaster is deemed to have been vested on the date of the employee's death, and the successor may apply to receive his/her</p>

	<p>inherited shares or disposed interests after completing the necessary legal procedures and providing relevant documents.</p> <p>(3) General death: New restricted employee shares that do not meet the vesting requirements will be deemed not to have met the vesting requirements on the date of death, and the Company will repossess and cancel such shares in accordance with the law.</p> <p>4. Leave without pay: Employees who have been granted special approval by the Company to remain on duty without pay in accordance with governmental regulations or in the event of serious personal illness, major family changes, or overseas study, etc., and who have not yet met the vesting conditions for new restricted employee shares, may have their rights reinstated upon reinstatement of their jobs, provided that the vesting conditions are deferred according to the duration of the period of leave of absence without pay.</p> <p>5. Designation of affiliated companies: Necessary for the Company's operations and corporate governance. If an employee is assigned to an affiliate of the Company in accordance with government regulations or listing rules, the employee's right to acquire new shares of stock may continue to exist under the terms of the vesting agreement, provided that the period of the vesting agreement has not expired.</p> <p>6. If an employee terminates or discharges the Company's agent's authorization in violation of Article 7(3) (regarding the delivery of the trust for safekeeping) prior to the fulfillment of the vested conditions, the Company shall reclaim the employee's agent's authorization without compensation.</p>
Number of New Restricted Employee Shares that Have Been Retired or Bought Back	0 shares
Number of New Restricted Shares that Have Vested	835,000 shares
Number of Unvested New Restricted Shares	825,000 shares
The Ratio of the Number of Unvested New Restricted Shares to the Total Number of Issued Shares (%)	0.80%
The Effect on Shareholders' Equity	<p>1. Amount that may be expensed: Based on the average closing price of the Company's common shares in April of 2023, which was NT\$ 65.91, the total amount that may be expensed during the 16-months vesting period for the issuance of 2,500,000 restricted stock to the employees is approximately NT\$ 164,775 thousand.</p>

	<p>Based on the vesting conditions, the estimated expensed amounts for the first year (September to December of 2023) and the second year (2024) are NT\$ 102,984 thousand and 61,791 thousand, respectively.</p> <p>2. Dilution of earnings per share and other matters affecting shareholders' equity:</p> <p>Based on the number of 84,752,959 outstanding shares of the Company on April 30, 2023, it is estimated that the possible reduction in earnings per share for the first year (September to December of 2023) and the second year (2024) will be approximately NT\$ 1.22 and NT\$ 0.73, respectively.</p>
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Note 1: Adjust the number of columns according to the actual number of issues.

Note 2: Separate entries should be made for different dates of issue.

(II) Names of managers who acquired new shares of restricted stock and the top ten employees who acquired shares and the circumstances under which they acquired the shares:

April 29, 2024
Unit: NT\$/share

	Title (Note 1)	Name	Number of new restricted employee shares granted	Ratio of the number of new restricted employee shares granted to the total number of issued shares (Note 4)	Vested restricted shares (Note 2)				Unvested restricted shares (Note 2)			
					Number of vested shares	Issue price	Total purchase price	Ratio of the number of vested restricted shares to the total number of issued shares (Note 4)	Number of unvested shares	Issue price	Total purchase price	Ratio of the number of unvested restricted shares to the total number of issued shares (Note 4)
Managerial officers	Chairman and Vice President of Investment	Tu, Chun-Kuang	1,325,000	1.28%	662,500	0	0	0.64%	662,500	0	0	0.64%
	President	Tsay, Ming-Hung										
	Vice President	Chuang, Jen-Chu'an										
	Vice President	Lin, Yun-Hua										
	Vice President	Lin, Hui-Zhen										
	Vice President	Chen, Yao-Tien										
	Assistant General Manager	Chen, Yi-Fang										
	Assistant General Manager	Hou, Li-Ling										
	Assistant General Manager	Lu, Zhi-Xiang										
	Assistant General Manager	Xie, Shu-Jin										
Assistant General Manager	Liang, Jian-Zhang											

	Title (Note 1)	Name	Number of new restricted employee shares granted	Ratio of the number of new restricted employee shares granted to the total number of issued shares (Note 4)	Vested restricted shares (Note 2)			Unvested restricted shares (Note 2)				
					Number of vested shares	Issue price	Total purchase price	Ratio of the number of vested restricted shares to the total number of issued shares (Note 4)	Number of unvested shares	Issue price	Total purchase price	Ratio of the number of unvested restricted shares to the total number of issued shares (Note 4)
Employees (Note 3)	Manager	Wu, Ping-Yu	345,000	0.33%	172,500	0	0	0.17%	162,500	0	0	0.16%
	Subsidiary Associate	Li, Hao										
	Vice President, Subsidiary	Cheng, Chia-Lun										
	Manager	Lu, Chih-Kai										
	Director General	Jao, Kai-Yuan										
	Subsidiary Manager	Lin, Yen-Chen										
	Subsidiary Associate	Hsu, Chia-Min										
	Subsidiary Manager	Tsai, Mei-Ling										
Manager	13 persons including Wang, Hsiao-Shuang (Note 5)											

Note 1: The names and job titles of the managerial officers and employees should be presented individually (and an annotation should be made in the event an officer or employee has departed the company or died), but the quantities acquired and subscribed may be presented in aggregate sums.

Note 2: Adjust the number of columns according to the actual number of issues.

Note 3: The top ten employees who have acquired new restricted employee shares means employees other than managerial officers.

Note 4: The total number of issued shares means the number of shares in the amendment registration information on record with the Ministry of Economic Affairs.

Note 5: Wang, Hsiao-Shuang, Li, Chung-Kung, Li, Po-Hsuan, Li, Chun-Kang, Li, Han-Che, Lin, Chiang-Ke, Hung, Chih-Chun, Chang, Chen-Yuan, Chang, Chia-Chiang, Kuo, Ming-Kai, Yang, Chia-I, Liu, Chia-An, and Jao, Jui-Chun. The list of officers is in the order of their surnames in descending order of prevalence, and not on the basis of the number of shares allotted to them.

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

VIII. Financing Plans and Implementation: None.

Chapter 5. Operating Highlights

I. Business Activities

(I) Scope of business

1. Primary operating scope of the Company

The main business items of the Company and its subsidiaries are the development, operation, and licensing of standalone games, online games, and mobile games, and the manufacturing, pressing, processing, R&D business and trading of multi-layer printed circuit boards, copper foil substrates, glass fiber films, various electronic parts, transformers supplier, third-party collection and payment and cash flow system services, electronic components, integrated circuits, computer equipment and peripheral products agency, maintenance, import/export trade, domestic and international wine agency and sales, as well as R&D, manufacturing, and sales of network functional platform products, network connectivity security, and network traffic acceleration related system equipment.

2. Proportion of primary operations

Unit: Thousand NT\$

Product items	2023	
	Net operating revenue	%
Sale of goods revenue	2,153,313	66.01
Rendering of service revenue	1,108,868	33.99
Total	3,262,181	100.00

3. Current products and services offered by the Company

- (1) Software development, agency, licensing, and sales for games.
- (2) Lubricating aluminum cover plates for drilling, drilling underlay plates, transformers supplier, and beauty and skincare products.
- (3) Agency and sales of electronic components, integrated circuits, and computer software.
- (4) R&D, manufacturing, and sales of internet functional platform products, internet connectivity security, and internet traffic acceleration related system equipment.
- (5) Third-party collection and payment and cash flow system services.

4. Planning and development of new products (services)

- (1) Game software
- (2) Transformer business
- (3) Expand network virtual devices and support virtual machine management devices as well as public cloud platforms.
- (4) BNPL (Buy Now, Pay Later) installment payments for inclusive finance

(II) Industry overview

1. Current state and development of the industry

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

- (1) Arcade game

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

(2) TV/Console game

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

(3) PC game

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

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

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

(4) Mobile game

Given that smartphones and tablets have gradually become indispensable entertainment tools for the modern generation, related companies have competed to participate in the mobile APP market where games accounted for the most significant APP percentage. There are numerous games in the market with fierce competition. The profiting model for the games has also turned to diversification, including one-off payment and download, virtual market, payment and download for additional content, and income from the in-game advertisement. Mobile gaming has grown considerably in recent years. According to the latest report on "Mobile Games" by GlobalData, an international research organization, the global mobile games market is expected to reach US\$124 billion in 2023,

with game players from Asia-Pacific countries accounting for as much as 64% of the total consumer spending, with China, Japan, and South Korea being the most important markets. The growth in mobile gaming consumption in the Asia Pacific markets is largely related to the increasing deployment of 5G network environments. With approximately 1.8 billion 5G mobile subscribers in Asia Pacific in 2023, and a forecasted growth of

approximately 4 billion subscribers in 2028, it is optimistic that Asia Pacific mobile gamers will continue to be a key driver of the growth of mobile gaming revenues globally in the next few years.

2. Correlation among upstream, midstream, and downstream of the industry



Source: 2023.06 collated by SinoPac Securities

Upstream of the game industry chain - game developers

Manufacturers of self-produced games do everything from programming, game design, artwork, sound effects, production and testing. In addition, when something is designed, it has Intellectual Property Rights (IP), a term often heard in the game industry. Successful works or characters can attract a certain level of fans. For game companies, there is a difference between licensing original IPs or creating new IPs. As soon as a successful IP launches a series of works, there are basic fans to buy it. Creating or acquiring a good IP is a very important part of the industry chain.

Midstream of the game industry chain - game operators

Operators can also be referred to as "resellers". Resellers pay royalties to the developers to acquire the rights to distribute the games. Resellers mostly maintain the operation and implementation of the game outside of the developer's location because it costs too much for the developer to operate in overseas markets, so it's better to entrust it to a reseller. Operators can tailor their games to local conditions, attracting players by charging monthly fees, selling points, and localizing events, and usually operating and publishing are done together.

Downstream of the game industry chain - channel distributors

Pathfinder refers to the role of the game to the consumer, the source of income is the game revenue draw, the physical pathway for the stores, game stores and other retailers, with the retail model and the game form of change, the importance of the physical pathway is relatively lower, the virtual pathway is more and more important. Currently, most of the physical channels sell console game related products, while most of the PC games are mainly on virtual channels, such as Steam, Epic Game and other platforms. There are basically only two outlets for mobile games, the apple and google app stores.

3. Development trend and competition of products

1) Product development trend

A. Product development is directed to diverse platforms

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

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

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

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

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

D. Free games have become the market mainstream

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

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

With the popularization of mobile devices, improvement of multi-media function, 5G network establishment, and the connection of social media, the emergence of casual players has become a market force not to be neglected by game companies. Therefore, game companies have commenced their diversified game development to improve the profoundness of game content for mobile devices. The Company also tried to use different vehicles or technologies, in the hope to make a breakthrough from the boundaries of video games or PC in the past, allowing players to enjoy brand-new joy from games with any kind of mobile devices. In addition, the Company sells derivatives related to games through in-app purchases to increase the contribution of all players, and in turns improves the profit of games.

2) Competition

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

potentials of the software industry market, grasping the product and market trend, as well as establishing the brand and the awareness and stickiness of the players' community to products will be the competitive advantage of software companies.

(III) Technology and R&D overview

The Company invested R&D expenses of NT\$108,694,000 in total in 2023.

The R&D team has delved deep into studying the game engine of Unreal Engine 5, successfully leveraging its many advantages. The engine possesses outstanding rendering capabilities and sophisticated lighting effects, providing a more realistic gaming experience. Meanwhile, it also features efficient development tools and editors, which contribute to enhancing development efficiency and product quality.

The team focuses on the development of home console games, and is committed to improving game performance and experience. Through continuous optimization of the game engine and programming technology, the operation speed and stability of the game have been improved, and a smoother and more pleasant game experience has been brought to players.

Additionally, the R&D team focuses on and actively utilizes generative AI technology, actively exploring new technologies and applications, continuously creating new IPs and products, to bring players more diverse and innovative gaming experiences.

The team is user centric and actively optimizes products and services. By continuously listening to user feedback and needs, the team optimizes products and services, and improves user experience and satisfaction.

Overall, through the technology and continuous efforts, innovation, and exploration of the R&D team, the Company can bring better products and services to users and bring more development opportunities to the gaming industry.

(IV) Short/long-term business development plans

(1) Short-term plans

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

(2) Long-term plans

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

II. Market and Sales Overview

(I) Market analysis

1. Sales region for main products in 2023

Unit: Thousand NT\$

Product \ Regions	Domestic		Overseas		Total	
	Amount	%	Amount	%	Amount	%
Sale of goods revenue	1,420,753	79.30	732,560	49.81	2,153,313	66.01
Rendering of service revenue	370,763	20.70	738,105	50.19	1,108,868	33.99
Total	1,791,516	100.00	1,470,665	100.00	3,262,181	100.00

2. Market Share

The Company mainly researches and develops single player games, online games and mobile game products, with revenues of NT\$2,252,134,000 and NT\$3,362,181,000 in 2022 and 2023, Of which, game operating revenues were NT\$517,960 thousand and NT\$501,391 thousand, respectively. With the highly mature and diversified market, the Company's game development is also towards diversified development., and the Company has occupied an important position in the game research and development market.

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

(1) Global game industry overview:

According to the latest estimation report on the global game market in 2023 by market research organization Newzoo, the market value of the global game market in 2023 was US\$184 billion, an annual growth of 0.6%, compared with the first decline after the pandemic in 2022, this time again from black to red. The overall gaming market is expected to grow at a CAGR of nearly 3% to reach US\$189.3 billion in 2024 and US\$205.7 billion by 2026, with the overall market growing at a CAGR of +1.3% from 2021-2026.

The largest share of gaming revenues this year continued to go to mobile games, which fell slightly by 1.6% but still accounted for 49% of the overall market. Consoles and PCs accounted for 29% and 21% respectively. Web-based games, on the other hand, continued their straight-line decline. In 2023, console gaming is currently forecast at US\$53.2 billion, an annual increase of 1.9%, while PC gaming is the highlight of the year, forecast at US\$40.4 billion, an annual increase of 3.9%.

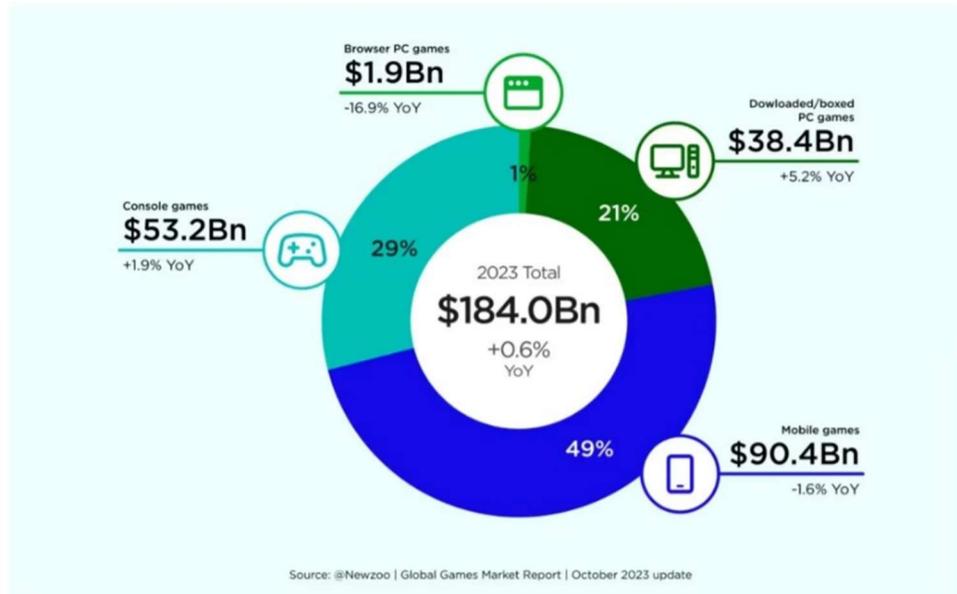
With game platforms such as Steam and Microsoft shifting to promote the introduction of handheld game console products, coupled with game console operators also expanding resources to invest in lightweight handheld products, the proportion of the mobile game market, which used to be dominated by mobile phones, has dropped to less than 50% of the overall game market, while the market size of PC games and console games grew at an annual growth rate of 5.2% and 1.9%, respectively, last year.

To summarize, the total market share of console + PC games has rebounded and is comparable to that of mobile games.



The global games market in 2023

Per segment



Research organization Newzoo pointed out that the main driving force for the expansion of the growth momentum of the game market this year, in addition to the launch of new models and new games from the two major game console manufacturers Nintendo Switch and PlayStation, Microsoft's Xbox has actively shifted to the mobile gaming market, and at the same time, through the strategy of cooperating with the PC brand partners who are entering the game handhelds, has brought a new competitive landscape to the market.

On the other hand, cloud gaming service providers continue to expand their investment in PaaS, especially with the emergence of generative AI, which has enabled cloud gaming service providers to expand their reach beyond the provision of gaming products to provide consumers with more support for graphically-intensive programs, including generative application tools. Generative AI is accelerating the game development process, and these trends are driving the overall game market to continue to grow.

Newzoo expects the global gaming market size to reach US\$205.7 billion by 2026 after growing to a peak of US\$189.3 billion in 2024, with the overall number of players increasing by 6.3% year-on-year from 3.3 billion in 2023 to 3.8 billion in 2026, of which the number of players who pay for cloud-based gaming will be 90 million in 2025, up from more than 80 million.

All regions of the world saw growth in 2023, with the US and China particularly impressive in terms of spending power, while the Middle East and Africa saw the most growth at 4.7%, although they only accounted for 4% of the global gaming market's revenues.

2023 Global games market

Per region

(2) Taiwan's game industry overview:

According to data.ai's 2023 statistics, Taiwan was not only the world's fifth largest mobile gaming market in the first half of 2023 (replacing Germany behind the United States, Japan, China and South Korea), it was also the only two countries to see growth in revenue. Despite a short-term decline in downloads, total revenues continued to rise, demonstrating the high willingness of Taiwanese players to pay. These excellent records show that despite the increasing competition in the Taiwanese game market, gamers are increasingly willing to pay for games and support good game creators, and that the overall game market is maturing.

According to statista, Taiwan's mobile gaming market is booming and is expected to reach US\$1.27 billion by 2024 and will show a steady growth rate, with a compound annual growth rate (CAGR) of 5.71% from 2024 to 2027, thus the market size is expected to reach US\$1.5 billion and the number of users in the mobile game market to increase to 6.8 million by 2027. Average revenue per user (ARPU) is expected to reach US\$206.10 in 2024. In addition to this, Taiwanese gamers are quite receptive to a wide range of games and are happy to try new games.

In the current fast-growing mobile game market, Taiwan's mobile game industry is facing unlimited opportunities and challenges. Opportunities include: Taiwan's mobile game market is continuing to grow in terms of revenue, and there is a strong willingness to pay in the market, representing a potential business opportunity. Challenges include: The potential slowdown in the growth of market consumption power and the preference of Taiwanese gamers for local and Japanese mobile games, as well as the fact that innovation and application of technology, practicality, and price/performance ratio are three of the most important factors for Taiwanese netizens.

(3) Mainland China's game industry overview:

According to the "China Game Industry Report 2023", the actual sales revenue of China's game market this year reached RMB302.964 billion, an increase of RMB37.08 billion, or an annual growth of 13.95%, exceeding RMB300 billion for the first time. The number of game users reached a record high of 668 million, an increase of 0.61% over last year.



Source: Gaming Publishing Committee of the China Audio-Video and Digital Publishing Association, Gamma Data (CNG)



Source: Gaming Publishing Committee of the China Audio-Video and Digital Publishing Association, Gamma Data (CNG)

Among the market segments, the actual sales revenue of mobile games amounted to RMB226.86 billion, accounting for 74.88% of the total, an increase of RMB33.80 billion, or 17.51% over the same period last year, which is a significant increase and a new record. The increase in revenue from mobile game sales was attributable to the rebound in users' consumption intention and the launch of new games.

In 2023, China's self-developed game domestic market realized revenue of RMB256.375 billion, a year-on-year growth of 15.29%. In addition, the overseas sales revenue of self-developed products amounted to US\$16.366 billion, exceeding RMB100 billion for four consecutive years. However, the year-on-year decline of 5.65% indicates that factors such as international turbulence, intense market competition and changes in privacy policies have increased the difficulty of going to sea and the cost of doing business. In 2023, the US and Japan remained China's major overseas markets for mobile games, accounting for 32.51% and 18.87% respectively; Korea ranked third at 8.18%.



Source: Gaming Publishing Committee of the China Audio-Video and Digital Publishing Association, Gamma Data (CNG)



Source: Gaming Publishing Committee of the China Audio-Video and Digital Publishing Association, Gamma Data (CNG)

According to the statistical information of the Publicity Department of the Chinese Communist Party and the game industry network, the number of licenses has been growing steadily in the past three years, with the number of licenses approved each time at around 80-90, and in 2023, 1,075 game licenses were issued, of which 977 were domestic and 98 were imported, and on December 25, 2023, the Publicity Department of the Chinese Communist Party issued 105 newly approved domestic game licenses, with the number of licenses approved at one time exceeding 100 for the first time, covering a wider range of game enterprises. In this regard, the industry generally believes that the competent departments continue to release positive signals to support the prosperous and healthy development of the online game industry.

With the "normalized + strong" issuance rhythm of the license number, the majority of game enterprises feel at ease, and now more game companies focus on market exploration, model innovation, self-research innovation and technological innovation, and actively explore overseas markets. According to the data disclosed by SensorTower Store Intelligence Platform, from January to November 2023, the total amount of money absorbed by Chinese mainland game makers was US\$21.78 billion, and a total of 37 Chinese mainland game makers were listed in the global mobile game developers' revenue list of Top 100 in November 2023, with a total of US\$1.87 billion, accounting for 38.3% of the revenue of the global Top 100 mobile game developers in this period. Mainland China mobile game publishers have a certain market position in the global market.

In addition, the boutiqueization of games is increasingly becoming the mainstream trend of high-quality development of enterprises. With the continuous development and innovation of chips, AI, cloud computing, mobile phones and other modern technologies, players' demand for image realism, interactive richness and other needs continue to increase, which promotes increasingly sophisticated game products and rapid updates; at the same time, the continuous upgrading of the game play, but also to force the relevant technology industry to introduce stronger products, forming a positive circular effect.

4. The competition niches of the Company in response to the supply and demand in the future market are as follow:

(1) Strong and stable development team

For game software development of the Company, from the idea generation, planning, programming, art design, animation, music, sound effect, and testing, our R&D staff possess rich and matured experiences and technologies. Extensive experiences and abundant technologies of our R&D team, as well as their understanding of the market, provide endless vitality to our products.

(2) Cumulative abundant self-owned game IP

Through 25 years of development, the Company currently has multiple best-selling product series, including famous game brands such as Sword and Fairy Series, Xuan Yuan Sword Series, Richman Series, Empire of Angels Series, and Stardom Series, which are well-recognized by the sinophone game market.

(3) Successfully utilize cross-field IP value

Products of the Company have been making constant breakthroughs, our products series have expanded from the field of PC games to fields of web/SNS games, and mobiles games. The large-scale IP of Sword and Fairy have also created a precedent by way of licensing famous film companies to create large-scale drama series and gradually developed into fields of audiovisual, animation, publishing, and peripherals. The Company's adherence to self-innovation, ownership of copyright, and reusable values will be the next key to success for the digital content industry.

(4) Develop overseas licensing and strategic cooperating plan

Games produced by the Company have successfully being licensed in Mainland China, Taiwan, and overseas regions and will be launched into the markets one after another. In the future, the Company will keep expanding the business of licensing. Apart from product licensing, the Company will also invest IP licensing into the development of new online games and mobile games to enrich the licensing portfolio of the Company.

5. Favorable and unfavorable factors of development prospect and strategies:

(1) Favorable factors

- Stable and robust R&D team that owns the core competitiveness of self-development of games.
- Own the renowned series of IP that may be used in a cross-field manner to extend IP application and value in full.
- The flourishing development of 3C technology and internet lead to an increase of leisure concept. With an increasing scale of the player group, it allows the overall market scale of the industry to record continual growth.

(2) Unfavorable factors

- Rampant software piracy makes intellectual property right vulnerable for infringement

Strategies:

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

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

Strategies:

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

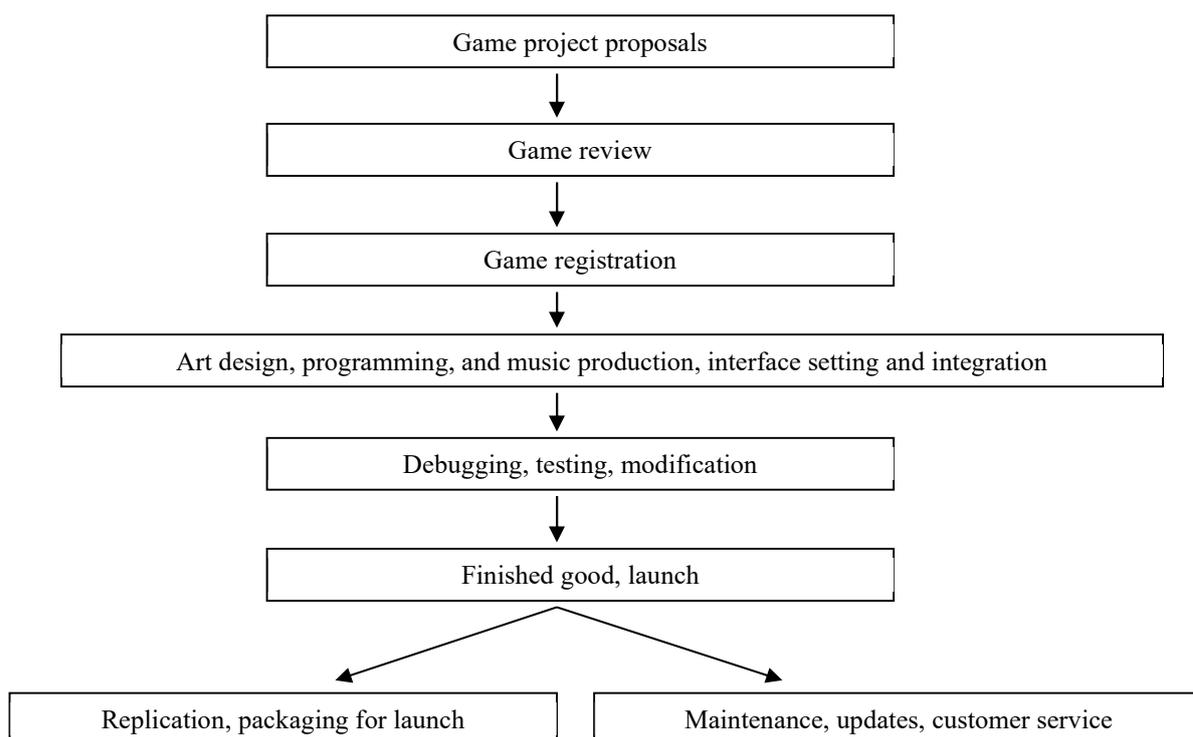
(II) Major applications and production process of the primary products

1. Major uses of the primary products

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

- (1) Mobile games and online games provide online real-time games that form strong interactive social relationships.
- (2) Single player games combine education and entertainment to provide a space with intelligence, inspiration, training, and leisure for users.

2. Production procedures



(III) Supply status of main materials

Does not apply to the Company.

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

1. Information of main suppliers for the past two years

Unit: Thousand NT\$

Item	2022				2023			
	Name	Amount	Percentage of the Company's total annual procurement (%)	Relationship with the issuer	Name	Amount	Percentage of the Company's total annual procurement (%)	Relationship with the issuer
1	Company A	334,513	24.58	None	Company A	245,947	11.31	None
2	Company B	178,729	13.14	None	Company B	168,941	7.77	None
	Other	847,561	62.28		Other	1,760,162	80.92	
	Net purchases	1,360,803	100.00		Net purchases	2,175,050	100.00	

Explanation:

1. Company A is a supplier of products.
2. Company B is a supplier of products.

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

Unit: Thousand NT\$

Item	2022				2023			
	Name	Amount	Percentage of net sales in the year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales in the year (%)	Relationship with the issuer
1	Company b	246,898	10.96	None	Company a	780,411	23.92	None
2					Company b	136,540	4.19	None
	Other	2,005,236	89.04	-	Other	2,345,230	71.89	-
	Net sales	2,252,134	100.00	-	Net sales	3,262,181	100.00	-

Explanation:

1. Company a is a manufacturer of computer peripherals and software.
2. Company b is a game operator.

(V) Production volume in the past two years

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

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

Unit: set; thousand NT\$

Year	2022				2023			
	Domestic sales		Overseas sales		Domestic sales		Overseas sales	
Sales volume and value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main products								
Sale of goods revenue	NA	437,868	NA	995,120	NA	1,420,753	NA	732,560
Rendering of service revenue	Note 1	393,502	Note 1	425,644	Note 1	370,763	Note 1	738,105
Total		831,370		1,420,764		1,791,516		1,470,665

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

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

Unit: Person

Year		2022	2023	April 29, 2024
No. of employees	Managerial officers	34	47	52
	Management and marketing personnel	207	252	336
	R&D personnel	77	114	114
	Technical personnel	93	168	195
	Total	411	581	697
Average age		40.22	39.28	38.51

Year		2022	2023	April 29, 2024
Average year of services		6.1	5.33	4.72
Education background distribution	Doctor	1	1	0
	Master	55	86	96
	College and university	312	412	445
	Senior high school	41	66	135
	Below senior high school	2	16	21

Note 1: The number of employees for 2022 and 2023 includes the number of employees of subsidiaries Uniplus Electronics Co., Ltd., Red Sunrise Co., Ltd., Chander Electronics Corp., and Array Networks.

Note 2: The number of employees for 2024 and as of the printing date of the annual report includes the number of employees of subsidiaries Uniplus Electronics Co., Ltd., Red Sunrise Co., Ltd., Chander Electronics Corp., Array Networks, and Zhu International Group INC. (excluding part-time employees of Zhu International Group INC.).

IV. Environmental protection expenditure

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

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

V. Labor relations

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

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

Professional program and training received by our employees for 2023 is summarized as follow:

Department of the training receiver	Name of the training program	Organizer
Human Resources Division	Labor Disputes - Systematic Online Course	Human Resources Consultant - Huang, Chen-Hao

Department of the training receiver	Name of the training program	Organizer
Auditing Office	Corporate Governance Practice and Audit Case Analysis	Securities & Futures Institute
Finance Department	Viewpoint of Management Area - Internal Control Deficiency Overview	Accounting Research and Development Foundation
Human Resources Division	First Aiders Training Course	CSHM
Finance Department	Seminar by the Chief Executive - Common Deficiencies in the Review of Financial Statements and Important Practical Insights on Internal Controls and Regulations	Accounting Research and Development Foundation
Auditing Office	What Auditors Should Know About Fraudulent Corporate Practices	Securities & Futures Institute

3. Retire system: The Company established its Regulations for Employee Retirement based on the requirements of the Labor Standard Laws. All employees shall participate in the plan provided for the employee retirement reserve according to the prescribed ratio and deposit in a special account in the Bank of Taiwan (previously known as the Central Trust of China), which shall be supervised by the Employee Retirement Reserve Supervisory Committee comprised of employees and the employer. Since July 1, 2005, the Company has established the regulations for retirement with confirmed provisions based on the requirements under the Labor Pension Statutes. Such regulations apply to local employees, and a 6% of employee pension shall be provided per month to the personal accounts of the employees at the Bureau of Labor Insurance.
4. Introduce professional medical management consultants, promote workplace health risk management, build a healthy workplace, and strengthen the health awareness of colleagues. Take care of the physical health of the staff through the complete planning of professional medical and occupational care, and there are also professional psychologists in charge of the mental health of the staff. In addition to the implementation of regulatory requirements, we also protect employees and enhance the vitality and creativity of our colleagues.
5. Labor agreements and maintenance measurements for employees' interests: All employees of the Company have participated in the labor insurance and the National Health Insurance according to the law, and have provided for employee retirement reserve and labor pension to prepare for the employees' retirement; other labor conditions are all in compliance with the standards of the Labor Standards Act. In addition, to coordinate the labor-management relationship and promote labor-management cooperation, the Company holds labor meetings on a regular basis.
6. Protection measures for working environment and personal safety of employees:
 - (1) The Company has a strict access monitoring system in the day and night. The building is equipped with the building security guards in charge of the building. The personnel must be equipped with door access control. The personnel must be equipped with door-entry access control, and the personnel must be equipped with a surveillance video and video recording and video recording to protect employees' personal safety.
 - (2) According to the requirements under the Regulations for Inspecting and Reporting Buildings Public Security, the Company cooperates with the property management center to engage the professional company for public security inspection regularly (at least once a year).

- (3) To protect the health of our employees, the Company bans all tobacco products in our office area, holds CPR training, carries out environmental cleaning and disinfection regularly (at least once a year), and clean air conditioners and water towers (two times to four times a year).
 - (4) Except for purchasing labor and health insurance according to the law, the Company also contacts insurance companies to purchase group insurance for all our employees.
7. Other significant agreement: None.
- (II) Total amount of losses (including penalties) suffered as a result of labor disputes for the most recent year and up to the printing date of the annual report, with an explanation of future countermeasures and possible expenditures: None.

VI. Cyber security management

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

1. Cyber security risk management framework

(1) Enterprise information management framework

The Company has set up an Information Security Team with an Information Security Officer and an Information Security Specialist, who are responsible for the regulation, implementation and risk management of information security-related maintenance and protection policies, following internal audits and annual audits by accountants, and regularly evaluating the appropriateness and effectiveness of information security policies and operations, as well as drawing up project plans to continuously strengthen protection measures so as to minimize the risk of information security. Meanwhile, the Information Security Team refers to the Information Security Management System (ISMS) standard and relevant specifications to establish the standard information security management benchmark. In the spirit of PDCA, the Company continues to implement information infrastructure and information security measures to ensure the security, integrity, and availability of important company information.

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

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

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



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

2. Cyber security policies

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

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

A. Respect intellectual property rights

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

B. Information system access control

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

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

C. Security control of accounts and passwords

Accounts: If they have left the posts or transferred to another position, the designated account and password of each employee will be deactivated or updated immediately, and the said account will be removed from the group it is currently in.

Passwords: The Company requires employees to use passwords with strict complexity and update them regularly to reduce risk.

D. External threat management

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

E. Personal information protection

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

F. Cyber security audit

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

G. Specific information security measures

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

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

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

J. Safety control procedures concerning the recycling, reuse and elimination of cyber equipment are set up to ensure that sensitive data is deleted and unable to be restored. Watermarks are added into all internal documents of the Company. The Company regularly asks the vendors to take pictures to prove that the Company's internal documents, paper, and all storage media are destroyed to the point that it is impossible for them to be recovered.

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

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

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

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

(3) Resources invested in cyber security management

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

(4) Future goal of cyber security management

A head of information security and an information security commissioner have been established by law in 2023 to strengthen the Company's information security environment; a company-wide social engineering exercise is expected to be implemented in 2024. Information security related bulletins will also be distributed from time to time to promote information security awareness, in order to enhance and consolidate corporate employees' awareness of information security and cultivate good information security habits.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

None.

VII. Important contract

Nature	Parties	Term	Major content	Restrictive clauses
Agency sales	Company A	Signed on August 1, 2021- up to three years from the date of launch	Sales agency agreement for software of Paladin's Inn 2	None
Authorized sales agreement	Company B	Signed on August 5, 2021- up to 20 years from the date of launch	Agreement for authorized development of Legend of Sword and Fairy Series I-VI (global regions excluding China)	None
Authorized sales agreement	Company C	Signed on March 1, 2022 - 3 years after launch	Authorized issuance of Richman 11 (Worldwide)	None
Authorized sales agreement	Company D	Signed on April 28, 2022	Authorization for adaptation of Drops of God Intellectual Property (IP)	None
Licensing agreement	Company E	Signed on May 20, 2022 until 4 years after the film's release	Adapted game (global) from the movie The Bridge Curse II: The Haunted Tower	None
Authorized sales agreement	Company F	Signed on June 28, 2022; Authorization period: up to three years from the date of commercial operation of the game	Raid on Taihoku of Aliisha for Switch (Worldwide)	None
Authorized sales agreement	Company G	From signing on June 29, 2022 to July 1, 2027	Global licensing of Raid on Taihoku for Steam and Switch (Worldwide)	None
Authorized sales agreement	Company A	5 years from signature on January 9, 2023	Xuan Yuan Sword Series Products Agency Sales Agreement	None
Authorized sales agreement	Company H	Signed on January 13, 2023 - 3 years from the date of launch of the game	Xuan Yuan Sword III License Agreement	None
Authorized sales agreement	Company I	Signed on July 1, 2023 - 3 years from the date of launch of the game	The Eminence in Shadow Game License Agreement	None
Authorized sales agreement	Company J	Signed on July 12, 2023 - 3 years from the date of launch of the game	Monopoly Mobile Game Development Agreement	None
Authorized sales agreement	Company H	Signed on September 28, 2023 - 3 years from the date of launch of the game	The Bridge Curse II Game PC Version Exclusive License Agency Operating Agreement	None
Authorized sales agreement	Company K	Signed on October 5, 2023 - 2 years from the date of launch of the game	Dolphin Wave Game License Agreement	None
Authorized sales agreement	Company L	Signed on November 9, 2023 - 3 years from the date of launch of the game	The Bridge Curse II Game Host Version Exclusive License Agreement	None
Authorized sales agreement	Company M	2 years from signature on November 27, 2023	Dream of Mirror Online Free Online Game License Agent Distribution Agreement	None
Authorized sales agreement	Company N	Signed on April 1, 2021 and renewed until December 31, 2025	The Legend of Sword and Fairy H5	None

Chapter 6. Financial Information

I. Five-Year Financial Summary

(I)

1. Condensed Consolidated Balance Sheet - IFRS(s)

Unit: In Thousands of New Taiwan Dollars

Item	Year	Financial data for the past five years (Note 1)				
		2019	2020	2021 (After adjustment) (Note 3)	2022 (After adjustment) (Note 4)	2023
Current assets		418,699	488,516	2,194,791	3,249,755	3,521,156
Property, plant and equipment (Note 2)		12,070	8,147	38,100	191,358	785,588
Intangible assets		8,412	5,229	151,027	851,702	1,523,574
Other assets (Note 2)		799,760	715,205	668,020	1,029,745	1,302,152
Total Assets		1,238,941	1,217,097	3,051,938	5,322,560	7,132,470
Current liabilities	Before distribution	341,474	239,595	689,278	1,550,417	3,160,649
	After distribution	351,332	252,208	886,039	1,677,547	Note 5
Non-current liabilities		92,527	104,614	193,829	500,254	981,241
Total Liabilities	Before distribution	434,001	344,209	883,107	2,050,671	4,141,890
	After distribution	443,859	356,822	1,079,868	2,177,801	Note 5
Total equity attributable to the parent company		804,897	872,674	1,663,556	1,980,408	1,552,817
Common stock		492,945	630,643	655,869	852,630	1,038,836
Additional paid-in capital		162,992	112,360	112,491	158,340	263,061
Retained earnings	Before distribution	469,543	427,296	1,143,139	1,217,495	577,690
	After distribution	370,966	389,457	749,618	920,859	Note 5
Other equity		(320,583)	(297,625)	(247,943)	(146,210)	(183,322)
Treasury stock		-	-	-	(101,847)	(143,448)
Non-Controlling Interests		43	214	505,275	1,291,481	1,437,763
Total equity	Before distribution	804,940	872,888	2,168,831	3,271,889	2,990,580
	After distribution	795,082	835,049	1,972,070	3,144,759	Note 5

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

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

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

Note 2. As of December 31, 2023, no asset revaluation was performed by the Company.

Note 3. The Group has completed the assessment of the fair value of Uniplus Electronics Co., Ltd. on the date of acquisition of control, so the consolidated balance sheet as of December 31, 2021 is adjusted.

Note 4. The Group has completed the assessment of the fair value of Chander Electronics Corp. and Array Networks Inc. on the date of acquisition of control, so the consolidated balance sheet as of December 31, 2022 is adjusted.

Note 5. On April 29, 2024, the Board meeting resolved the 2023 earnings distribution proposal. The proposal has not yet been submitted to the shareholders' meeting as of the printing date of the annual report, so the amount after distribution is not shown in the statement.

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

The Company has been adopting IFRS for the past five years (2019-2023); therefore, the information disclosure is not applicable.

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

Unit: In Thousands of New Taiwan Dollars

Item	Year	Financial data for the past five years (Note 1)				
		2019	2020	2021 (After adjustment) (Note 3)	2022 (After adjustment) (Note 4)	2023
Current assets		374,963	437,177	901,514	578,853	304,735
Property, plant and equipment (Note 2)		10,396	7,465	4,429	4,065	8,826
Intangible assets		10,230	2,141	1,257	1,496	17,371
Other assets (Note 2)		804,250	728,839	1,420,751	1,868,219	1,740,085
Total Assets		1,199,839	1,175,622	2,327,951	2,452,633	2,071,017
Current liabilities	Before distribution	302,815	207,629	527,766	361,410	358,267
	After distribution	312,673	220,242	724,527	488,540	Note 5
Non-current liabilities		92,127	95,319	136,629	110,815	159,933
Total Liabilities	Before distribution	394,942	302,948	664,395	472,225	518,200
	After distribution	404,800	315,561	861,156	599,355	Note 5
Common stock		492,945	630,643	655,869	852,630	1,038,836
Additional paid-in capital		162,992	112,360	112,491	158,340	263,061
Retained earnings	Before distribution	469,543	427,296	1,143,139	1,217,495	577,690
	After distribution	370,966	389,457	749,618	920,859	Note 5
Other equity		(320,583)	(297,625)	(247,943)	(146,210)	(183,322)
Treasury stock		-	-	-	(101,847)	(143,448)
Total equity	Before distribution	804,897	872,674	1,663,556	1,980,408	1,552,817
	After distribution	795,039	860,061	1,466,795	1,853,278	Note 5

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

Note 2. As of December 31, 2023, no asset revaluation was performed by the Company.

Note 3. The Group has completed the assessment of the fair value of Uniplus Electronics Co., Ltd. on the date of acquisition of control, so the parent company only balance sheet as of December 31, 2021 is adjusted.

Note 4. The Group has completed the assessment of the fair value of Chander Electronics Corp. and Array Networks Inc. on the date of acquisition of control, so the parent company only balance sheet as of December 31, 2022 is adjusted.

Note 5. On April 29, 2024, the Board meeting resolved the 2023 earnings distribution proposal. The proposal has not yet been submitted to the shareholders' meeting as of the printing date of the annual report, so the amount after distribution is not shown in the statement.

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

The Company has been adopting IFRS for the past five years (2019-2023); therefore, the information disclosure is not applicable.

(II)

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

Unit: In Thousands of New Taiwan Dollars

Item	Year	Financial data for the past five years (Note 1)				
		2019	2020	2021 (After adjustment) (Note 2)	2022 (After adjustment) (Note 3)	2023
Operating revenue		565,818	545,369	559,406	2,252,134	3,262,181
Gross profit (loss)		474,816	455,430	393,102	891,331	1,087,131
Operating income/loss		(217,580)	138,104	12,797	(127,615)	(287,220)
Non-operating income and expenses		553,447	(44,337)	1,029,043	734,958	1,578
Pre-tax net profits		335,867	93,767	1,041,840	607,343	(285,642)
Net income from continuing operations		323,817	56,412	741,107	552,388	(379,995)
Loss on discontinuing operations		-	-	-	-	-
Net income (loss)		323,817	56,412	741,107	552,388	(379,995)
Other comprehensive income (net, after tax)		(124,032)	(9,225)	45,420	8,576	9,301
Total comprehensive income (loss)		199,785	47,187	786,527	560,964	(370,694)
Net income (loss) attributable to stockholders of the parent		326,039	56,896	740,653	618,795	(335,127)
Net income attributable to non-controlling interests		(2,222)	(484)	454	(66,407)	(44,868)
Comprehensive income (loss) attributable to stockholders of the parent		202,007	47,671	786,013	611,956	(328,032)
Comprehensive income (loss) attributable to non-controlling interests		(2,222)	(484)	514	(50,992)	(42,662)
Earnings per share (NT\$)		5.26	0.88	8.70	6.20	(3.39)

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

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

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

Note 2. The Group has completed the assessment of the fair value of Uniplus Electronics Co., Ltd. on the date of acquisition of control, so the consolidated statement of comprehensive income for 2021 is adjusted.

Note 3. The Group has completed the assessment of the fair value of Chander Electronics Corp. and Array Networks Inc. on the date of acquisition of control, so the consolidated statement of comprehensive income for 2022 is adjusted.

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

The Company has been adopting IFRS for the past five years (2019-2023); therefore, the information disclosure is not applicable.

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

Unit: In Thousands of New Taiwan Dollars

Item \ Year	Financial data for the past five years (Note 1)				
	2019	2020	2021 (After adjustment) (Note 2)	2022 (After adjustment) (Note 3)	2023
Operating revenue	377,307	428,552	366,290	445,715	208,116
Gross profit (loss)	234,419	366,598	323,686	370,334	182,127
Operating income/loss	(251,105)	137,438	41,908	107,075	(138,363)
Non-operating income and expenses	571,108	(43,369)	976,747	571,955	(159,144)
Pre-tax net profits	320,003	94,069	1,018,655	679,030	(297,507)
Net income (loss)	326,039	56,896	740,653	618,795	(335,127)
Other comprehensive income (net, after tax)	(124,032)	(9,225)	45,360	(6,839)	7,095
Total comprehensive income (loss)	202,007	47,671	786,013	611,956	(328,032)
Earnings per share (NT\$)	5.26	0.88	8.70	6.20	(3.39)

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

Note 2. The Group has completed the assessment of the fair value of Uniplus Electronics Co., Ltd. on the date of acquisition of control, so the parent company only statement of comprehensive income for 2021 is adjusted.

Note 3. The Group has completed the assessment of the fair value of Chander Electronics Corp. and Array Networks Inc. on the date of acquisition of control, so the parent company only statement of comprehensive income for 2022 is adjusted.

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

The Company has been adopting IFRS for the past five years (2019-2023); therefore, the information disclosure is not applicable.

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

Year	CPA	Audit opinion
2019	Yu, Chien-Ju, Yang, Chih-Huei	Unqualified opinion with emphasis of matter paragraph
2020	Yu, Chien-Ju, Yang, Chih-Huei	Unqualified opinion
2021	Yu, Chien-Ju, Yang, Chih-Huei	Unqualified opinion with other matter paragraph
2022	Yu, Chien-Ju, Yang, Chih-Huei	Unqualified opinion with other matter paragraph
2023	Yu, Chien-Ju, Lu, Chien-Wen	Unqualified opinion with other matter paragraph

II. Five-Year Financial Analysis

(I) Financial Analysis - IFRSs

Analysis Item (Note 3)		Year				
		Financial information for the past 5 years (Note 1)				
		2019	2020	2021	2022	2023
Financial structure (%)	Liabilities to assets ratio	35.03	28.28	28.94	38.53	58.07
	Ratio of long-term capital to property, plant and equipment	7,435.16	11,995.68	6,201.21	1971.25	505.59
Solvency %	Current ratio	122.62	203.89	318.42	209.61	111.41
	Quick ratio	105.28	184.91	283.11	162.20	61.22
	Interest coverage ratio	60.46	35.27	269.72	40.49	(5.90)
Operating performance	Accounts receivable turnover rate (times)	4.12	4.16	3.62	4.14	3.23
	Average collection days	89	88	100	88	113
	Inventory turnover (times)	0.61	0.43	5.98	5.65	2.78
	Accounts payable turnover rate (times)	0.92	0.89	3.04	11.99	5.59
	Average days for sale	598	849	61	65	131
	Property, plant, and equipment turnover rate (times)	31.88	53.95	24.19	19.63	6.68
	Total assets turnover ratio (times)	0.49	0.44	0.26	0.54	0.52
Profitability	Return on assets (ROA) (%)	28.28	4.77	34.87	13.49	(5.57)
	Equity return ratio (%)	50.15	6.73	48.73	20.31	(12.14)
	Ratio of income before tax to paid-in capital (%) (Note 7)	68.13	14.87	158.85	71.23	(27.50)
	Profit margin (%)	57.23	10.34	132.48	24.53	(11.65)
	Earnings per share (NT\$)	6.77	0.88	8.70	6.20	(3.39)
Cash flow	Cash flow ratio (%)	4.63	40.71	54.09	(67.06)	(11.30)
	Cash flow adequacy ratio (%)	2.27	(1.41)	20.31	(44.99)	(35.95)
	Cash flow reinvestment ratio (%)	2.08	10.44	16.16	(39.55)	(18.20)
Leverage ratio	Operating leverage ratio	Note 2	2.42	22.01	Note 2	Note 2
	Financial leverage ratio	Note 2	1.02	1.43	0.89	0.87
Reason for changes in financial ratios for the past two years (analysis is not required when the changes are less than 20%):						
1. Financial structure :						
(1) The ratio of debts to assets: Due to the acquisition of subsidiary in 112, the borrowing amount increased, resulting in an increase in the ratio of debts to assets.						
(2) The ratio of long-term capital to Property, plant and equipment: Due to the acquisition of subsidiary in 112, the ratio decreased due to a significant increase in property, plant and equipment.						
2. Solvency :						
(1) Current ratio: Due to the acquisition of subsidiary in 112, current liabilities have significantly increased, resulting in a decrease in current ratio.						
(2) Quick ratio: Due to the acquisition of subsidiary in 112, the current liabilities have significantly increased, resulting in a decrease in quick ratio.						
(3) Interest Coverage Ratio: Due to the recognition of a higher net gain on disposal from the Chinese Paladin in 2022 and a loss in 2023, the ratio decreased in 2023.						
3. Operating performance :						
(1) Inventory turnover rate and average days for sale: In 2023, the inclusion of subsidiary companies led to an increase in accounts receivable at the end of the period, resulting in a decrease in turnover rate and an increase in the days for cash receipts.						
(2) Inventory turnover rate and average days for sale: Due to the acquisition of subsidiary in 2023, as the main entity for inventory sales, both costs and inventory have increased. As a result, the turnover rate has decreased and the days for cash receipts increased.						
(3) Property, plant and equipment turnover rate: In 2023, the inclusion of subsidiary companies led to a significant increase in machinery and equipment, consequently causing a decrease in turnover rate.						
4. Profitability :						
As a result of net profit in 2022 and losses incurred by the subsidiary in 2023, leading to a post-tax loss, all financial ratios have decreased compared to last year.						
5. Cash flow :						
Cash flow ratio and cash reinvestment ratio: Due to higher net cash flows from operating activities, including income tax payments, in 2022 compared to 2023, the ratio for 2023 decreased compared to the same period last year.						

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

Note 1. The financial information from 2019 to 2023 has been audited by CPA.

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

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

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

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

1. Based on the weighted average number of issued ordinary shares, instead of the number of issued shares by the end of the year.
2. For cash capital increase or treasure shares transactions, consider the circulation period to calculate the weighted average number of shares.
3. Regarding retained earnings transferred to capital increase or capital reserve transferred to capital, when calculating earnings per share for the past year or interim, it shall make retrospective adjustments according to the capital increase ratio, without taking into account the issuance period of capital increase.
4. If the preference shares are non-convertible cumulative preference shares, its dividend of the

year (whether it is being distributed or not) shall add or subtract the net loss from the net income. If the preference shares are not non-convertible, where there is net profit after tax, the dividends of the preference shares shall be deducted from the net profit after tax; however, such adjustments are not applicable in case of losses.

- Note 5. Special attention should be paid to the following matters when measuring cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
 2. Capital expense refers to the cash outflow for capital investment per year.
 3. The increase in inventories will be recognized when the closing balance is higher than the opening balance. When a decrease in inventories incurred, it shall be recorded as zero.
 4. Cash dividends include cash dividends for ordinary shares and preference shares.
 5. Gross value for PP&E refers to the total amount of property, plant and equipment before deducting accumulated depreciation.
- Note 6. Issuers shall divide operating costs and operating expenses into fixed and variables based on their nature; shall there be estimation or subjectivity involved, issuers shall be aware of the rationality and consistency.
- Note 7. Where the Company share is with nil nominal value or where the nominal value of each share is not NT\$10, the above calculation regarding percentage to paid-up capital shall be substituted by the percentage of equity attributable to owners of parent Company in the balance sheet.

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

The Company has been adopting IFRS for the past five years (2019-2023); therefore, the information disclosure is not applicable.

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

Analysis Item (Note 2)		Financial information for the past 5 years (Note 1)				
		2019	2020	2021	2022	2023
Financial structure (%)	Liabilities to assets ratio	32.92	25.77	28.54	19.25	25.02
	Ratio of long-term capital to property, plant and equipment	8,628.55	12,967.09	40,645.41	51,444.60	19,405.73
Solvency %	Current ratio	123.83	210.56	170.82	160.17	85.06
	Quick ratio	107.18	194.02	164.78	121.89	62.24
	Interest coverage ratio	76.97	36.36	287.14	171.70	(48.27)
Operating performance	Accounts receivable turnover rate (times)	2.93	2.48	3.46	9.51	4.19
	Average collection days	125	147	105	38	87
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover rate (times)	1.54	0.62	0.92	3.89	1.59
	Average days for sale	-	-	-	-	-
	Property, plant, and equipment turnover rate (times)	30.59	47.99	61.59	104.95	32.29
	Total assets turnover ratio (times)	0.38	0.36	0.21	0.19	0.09
Profitability	Return on assets (ROA) (%)	33.58	4.97	42.44	26.02	(14.60)
	Equity return ratio (%)	50.50	6.78	58.41	33.96	(18.97)
	Ratio of income before tax to paid-in capital (%) (Note 7)	64.92	14.92	155.31	79.64	(28.64)
	Profit margin (%)	86.41	13.28	202	139	(161)
	Earnings per share (NT\$)	6.77	0.88	8.70	6.20	(3.39)
Cash flow	Cash flow ratio (%)	(3.91)	39.96	62.66	(64.87)	(28.81)
	Cash flow adequacy ratio (%)	55.85	46.98	45.86	10.29	2.59
	Cash flow reinvestment ratio (%)	(1.54)	8.6	18.18	(20.86)	(13.93)
Leverage ratio	Operating leverage ratio	Note 2	2.47	6.47	3.00	Note 2
	Financial leverage ratio	Note 2	1.02	1.09	1.04	0.96
Reason for changes in financial ratios for the past two years (analysis is not required when the changes are less than 20%):						
1. Financial structure :						
(1) The ratio of debts to assets: Due to an increase in borrowing in 2023 to meet funding requirements, resulting in an increase in the ratio of debts to assets.						
(2) Ratio of long-term capital to property, plant and equipment: Due to the decrease in equity in 2023, the ratio decreased.						
2. Solvency :						
(1) Current ratio: Decrease in cash and cash equivalents in 2023 led to a reduction in current assets, resulting in a decrease in the current ratio.						
(2) Quick ratio: Decrease in cash and cash equivalents in 2023 led to a reduction in current assets, resulting in a decrease in the quick ratio.						
(3) Interest coverage ratio: Due to net profit in 2022 and net loss in 2023, the ratio experienced a significant decrease.						
3. Operating performance :						
(1) Account receivables turnover rate and average collection days: Due to a decrease in net operating income in 2023, the accounts receivable turnover rate decreased and the days for cash receipts increased.						
(2) Account payables turnover rate: Due to a decrease in operating costs in 2023, the accounts payable turnover rate decreased.						
(3) Property, plant, and equipment turnover rate: Due to the decrease in net operating income in 2023, property, plant, and equipment turnover rate decreased.						
(4) Total assets turnover ratio: Due to a decrease in net operating income in 2023, the total asset turnover ratio decreased.						
4. Profitability :						
As a result of net profit in 2022 and losses incurred by the subsidiary in 2023, leading to a post-tax loss, all financial ratios have decreased compared to last year.						

5. Cash flow :

Cash flow ratio, cash reinvestment ratio, and cash flow adequacy ratio: Due to higher net cash flows from operating activities, including income tax payments, in 2022 compared to 2023, the ratio for 2023 decreased compared to the same period last year.

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

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

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

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

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

1. Based on the weighted average number of issued ordinary shares, instead of the number of issued shares by the end of the year.
2. For cash capital increase or treasure shares transactions, consider the circulation period to calculate the weighted average number of shares.
3. Regarding retained earnings transferred to capital increase or capital reserve transferred to capital, when calculating earnings per share for the past year or interim, it shall make retrospective adjustments according to the capital increase ratio, without taking into account the issuance period of capital increase.
4. If the preference shares are non-convertible cumulative preference shares, its dividend of the

year (whether it is being distributed or not) shall add or subtract the net loss from the net income. If the preference shares are not non-convertible, where there is net profit after tax, the dividends of the preference shares shall be deducted from the net profit after tax; however, such adjustments are not applicable in case of losses.

- Note 5. Special attention should be paid to the following matters when measuring cash flow analysis:
1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
 2. Capital expense refers to the cash outflow for capital investment per year.
 3. The increase in inventories will be recognized when the closing balance is higher than the opening balance. When a decrease in inventories incurred, it shall be recorded as zero.
 4. Cash dividends include cash dividends for ordinary shares and preference shares.
 5. Gross value for PP&E refers to the total amount of property, plant and equipment before deducting accumulated depreciation.
- Note 6. Issuers shall divide operating costs and operating expenses into fixed and variables based on their nature; shall there be estimation or subjectivity involved, issuers shall be aware of the rationality and consistency.
- Note 7. Where the Company share is with nil nominal value or where the nominal value of each share is not NT\$10, the above calculation regarding percentage to paid-up capital shall be substituted by the percentage of equity attributable to owners of parent Company in the balance sheet.

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

The Company has been adopting IFRS for the past five years (2019-2023); therefore, the information disclosure is not applicable.

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

SOFTSTAR ENTERTAINMENT INC.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements (consolidated financial statements included), and proposal for allocation of earnings. The CPA firm of Ernst & Young Taiwan was retained to audit the Financial Statements (consolidated financial statements included) and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements (consolidated financial statements included), and earnings allocation proposal have been reviewed and determined to be accurate by the Audit Committee members. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely

2024 Annual Shareholders' Meeting

Convener of the Audit Committee: Hung, Pi-Lien

April 29, 2024

IV. Financial Statement for the Most Recent Year:

The 2023 financial statements, audited and certified by CPAs, are provided in detail in Attachment I.

V. Parent Company Only Financial Statements for the Most Recent Year have been audited and certified by CPAs:

The 2023 parent company only financial statements, audited and certified by CPAs, are provided in detail in Attachment II.

VI. Impact on the Company's Financial Condition shall be specified, if the Company and Its Affiliated Companies Experienced Financial Difficulties in the Most Recent Year Up to the Publication Date of this Annual Report: None.

Chapter 7. Review of Financial Conditions, Operating Results, and Risk Management

I. Analysis of Financial Status

Review and Analysis Statement for Financial Analysis

Analysis of Financial Status

Unit: In Thousands of NTD

Item	Year	2023	2022	Differences	
				Amount	%
Current assets		3,521,156	3,249,755	271,401	8.35%
Long-term investments (Note 2)		814,892	781,318	33,574	4.30%
Property, plant and equipment		785,588	191,358	594,230	310.53%
Intangible assets		1,523,574	851,702	671,872	78.89%
Other assets		487,260	248,427	238,833	96.14%
Total Assets		7,132,470	5,322,560	1,809,910	34.00%
Current liabilities		3,160,649	1,550,417	1,610,232	103.86%
Non-current liabilities		981,241	500,254	480,987	96.15%
Total liabilities		4,141,890	2,050,671	2,091,219	101.98%
Common stock		1,038,836	852,630	186,206	21.84%
Additional paid-in capital		263,061	158,340	104,721	66.14%
Retained earnings		577,690	1,217,495	(639,805)	(52.55%)
Other equity		(183,322)	(146,210)	(37,112)	25.38%
Treasury stock		(143,448)	(101,847)	(41,601)	40.85%
Total equity attributable to the		1,552,817	1,980,408	(427,591)	(21.59%)
Non-controlling interests		1437763	1291481	146,282	11.33%
Total equity		2,990,580	3,271,889	(281,309)	(8.60%)

Note 1. The Company shall explain the primary reason and its effect regarding major changes in assets, liabilities, and shareholders' equity (with changes over 20% and the amount involving in such changes has reached NT\$10 million) for the past two years. For material effects, explain the counterplan in the future.

Note 2. Long-term investments include changes in financial assets at fair value through profit or loss - non-current, financial assets measured at fair value through other comprehensive income - non-current, and investments accounted for using the equity method.

1. Explanations for items with major changes:

- (1) Property, plant and equipment: The acquisition of San Jiang Electric MFG. Co., Ltd since 2023, leading to an increase in property, plant and equipment.
- (2) Intangible assets: Due to the goodwill generated by the acquisition of San Jiang Electric MFG. Co., Ltd since 2023, leading to the increase in intangible assets.
- (3) Other assets: Due to the addition of use rights assets of San Jiang Electric MFG. Co., Ltd since 2023, leading to the increase in other assets.
- (4) Current liabilities: The acquisition of San Jiang Electric MFG. Co., Ltd since 2023, resulting in a significant increase in short-term borrowings and other accounts payable, leading to an increase in current liabilities.
- (5) Non-current liabilities: The acquisition of San Jiang Electric MFG. Co., Ltd since 2023, resulting in an increase in long-term borrowings.

- (6) Common stock: Due to the conversion of earnings to capital increase in 111, the common stock increased.
 - (7) Additional paid-in capital: The issuance of new restricted employee shares in 2023 has resulted in an increase in additional paid-in capital.
 - (8) Retained earnings: Due to losses incurred in 2023, retained earnings decreased.
 - (9) Other equity: Due to the issuance of new restricted employee shares in 2023, other equity decreased.
 - (10) Treasury stock: Due to the repurchase of treasury stocks in 2023, treasury stock increased.
2. Future corresponding plan: Not applicable.

II. Analysis of Operation Results

Unit: In Thousands of NTD

Item \ Year	2023	2022	Increases (decreases)	Rate of change %
Operating revenue	3,262,181	2,252,134	1,010,047	44.85%
Operating costs	(2,175,050)	(1,360,803)	(814,247)	59.84%
Gross profit (loss)	1,087,131	891,331	195,800	21.97%
Operating expenses	(1,374,351)	(1,018,946)	(355,405)	34.88%
Operating Income (Loss)	(287,220)	(127,615)	(159,605)	125.07%
Non-operating income and	1,578	734,958	(733,380)	(99.79%)
Profit (Loss) before income tax	(285,642)	607,343	(892,985)	(147.03%)
Income tax expenses	(94,353)	(54,955)	(39,398)	71.69%
Net income (loss) for the	(379,995)	552,388	(932,383)	(168.79%)
Net income (loss) attributable	(335,127)	618,795	(953,922)	(154.16%)
Net income (loss) attributable	(44,868)	(66,407)	21,539	(32.43%)

Note: The Company shall explain the primary reason regarding major changes in operating revenue, operating net income and net income before tax (with changes over 20% and the amount involving in such changes has reached NT\$10 million) for the past two years, as well as the anticipated sales volumes and their basis, potential impacts on the Company's future financial and operational performance, and the corresponding plans.

1. Primary reason for items with major changes in the past two years
 - (1) Operating revenue: Due to the acquisition of San Jiang Electric MFG. Co., Ltd. since 2023, the operating revenue increased.
 - (2) Operating costs: Due to the acquisition of San Jiang Electric MFG. Co., Ltd. since 2023, the operating costs increased.
 - (3) Operating expenses: Due to the acquisition of San Jiang Electric MFG. Co., Ltd. since 2023 and the issuance of new restricted employee shares, operating expenses increased.
 - (4) Non-operating income and expenses: Due to the recognition of gains on disposal from the Chinese Paladin IP and foreign exchange gains in 2022, Non-operating income increased. Consequently, in 2023, there was a significant decrease in non-operating income.
 - (5) Income tax expenses: Due to the recognition of additional tax liabilities related to the allocation of undistributed earnings and overseas subsidiary profit distribution in 2023, the associated income tax expenses increased.
2. Estimated quantity of sales and its basis:
There is no statistic for sales because no financial forecasting was prepared by the Company.
3. Possible effects and the counterplan for the future financial business of the Company:
In the future, the Company will reinforce its IP operations including "Sword and Fairy", "Xuan Yuan Sword", and "Richman" through the development of mobile games, single player games, and online games, as well as invest in the audiovisual and cultural and creative field. Through licensing partnerships with top-tier international manufacturers and actively expanding into overseas emerging markets, we ensure that Softstar products will not be absent in all fields and platforms. We will also maintain high investment and high quality to gain the support of the market and players.

III. Cash flow

Review and Analytical Statement for Cash Flow

Analysis of Cash Flow

Unit: In Thousands of NTD

Beginning cash balance (1) (Note)	Net cash flow from operating activities during the year (2)	Cash inflow during the year (3)	Cash balance (1)+(2)+(3)	Remedial measures for cash deficit																			
				Investment plans	Financial plans																		
1,590,141	(357,051)	(389,331)	843,759	-	-																		
<p>1. Analysis of changes in cash flow for 2023:</p> <p>(1) Operating activities: The net cash outflow from operating activities for the period was mainly due to the pre-tax net loss.</p> <p>(2) Investing activities: The net cash outflow from investing activities for the period was mainly due to the acquisition of subsidiary companies.</p> <p>(3) Financing activities: The net cash outflow from financing activities for the period was primarily due to the issuance of long-term borrowings.</p> <p>2. Remedial measures for cash deficit and liquidity analysis:</p> <p>(1) Remedial measures for cash deficit: None.</p> <p>(2) Liquidity analysis:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th rowspan="2" style="text-align: left;">Item</th> <th colspan="2" style="text-align: center;">Year</th> <th rowspan="2" style="text-align: center;">Increase (Decrease) %</th> </tr> <tr> <th style="text-align: center;">December 31, 2023</th> <th style="text-align: center;">December 31, 2022</th> </tr> </thead> <tbody> <tr> <td>Cash flow ratio (%)</td> <td style="text-align: center;">(11.30)</td> <td style="text-align: center;">(67.06)</td> <td style="text-align: center;">(83.15)</td> </tr> <tr> <td>Cash flow adequacy ratio (%)</td> <td style="text-align: center;">(35.95)</td> <td style="text-align: center;">(44.99)</td> <td style="text-align: center;">20.09</td> </tr> <tr> <td>Cash flow reinvestment ratio (%)</td> <td style="text-align: center;">(18.20)</td> <td style="text-align: center;">(39.55)</td> <td style="text-align: center;">(53.98)</td> </tr> </tbody> </table> <p>Increase or decrease of change analysis: Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Due to the cash outflow from operating activities in 2023.</p>						Item	Year		Increase (Decrease) %	December 31, 2023	December 31, 2022	Cash flow ratio (%)	(11.30)	(67.06)	(83.15)	Cash flow adequacy ratio (%)	(35.95)	(44.99)	20.09	Cash flow reinvestment ratio (%)	(18.20)	(39.55)	(53.98)
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	December 31, 2023	December 31, 2022																					
Cash flow ratio (%)	(11.30)	(67.06)	(83.15)																				
Cash flow adequacy ratio (%)	(35.95)	(44.99)	20.09																				
Cash flow reinvestment ratio (%)	(18.20)	(39.55)	(53.98)																				
<p>3. Cash liquidity analysis for the following year:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th rowspan="2" style="text-align: center;">Beginning cash balance (1)</th> <th rowspan="2" style="text-align: center;">Projected net cash flow from operating activities during the year (2)</th> <th rowspan="2" style="text-align: center;">Projected cash outflow during the year (3)</th> <th rowspan="2" style="text-align: center;">Projected cash balance (1)+(2)+(3)</th> <th colspan="2" style="text-align: center;">Remedial measures for projected cash deficit</th> </tr> <tr> <th style="text-align: center;">Investment plans</th> <th style="text-align: center;">Financial plans</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">843,759</td> <td style="text-align: center;">75,659</td> <td style="text-align: center;">(182,694)</td> <td style="text-align: center;">736,724</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">N/A</td> </tr> </tbody> </table> <p>1. Analysis of changes in cash flow for the year: The projected net cash outflow for the next year is primarily due to loan repayments.</p> <p>2. Remedial measures for projected cash balance and liquidity analysis: None.</p>						Beginning cash balance (1)	Projected net cash flow from operating activities during the year (2)	Projected cash outflow during the year (3)	Projected cash balance (1)+(2)+(3)	Remedial measures for projected cash deficit		Investment plans	Financial plans	843,759	75,659	(182,694)	736,724	N/A	N/A				
Beginning cash balance (1)	Projected net cash flow from operating activities during the year (2)	Projected cash outflow during the year (3)	Projected cash balance (1)+(2)+(3)	Remedial measures for projected cash deficit																			
				Investment plans	Financial plans																		
843,759	75,659	(182,694)	736,724	N/A	N/A																		

IV. Major Capital Expenditure Items: None.

V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for Coming Year

(I) Reinvestment policy

The main business of the Company is game research and development, game agency, and IP licensing. In terms of reinvestment diversification, we have ventured into various industries in recent years. Currently, our subsidiaries cover businesses such as Printed circuit board (PCB), heavy electrical industry, third-party payment services, IC distribution, and cybersecurity. These businesses complement each other and aim to provide industry synergies.

(II) Main reasons for profits/losses generated thereby and plan for improving reinvestment profitability

Most of the losses from reinvestment are game operating companies, media platform operating companies, and Chander Group. The reasons for the losses are mainly due to factors such as underperformance in product operations and customer inventory adjustments due to the semiconductor industry downturn. In the future, we will strengthen the control of expenses to improve the loss situation.

(III) Investment plan for the next year:

The Board of Directors of the Company passed a resolution on October 20, 2023, to participate in a private placement of shares in Uniplus Electronics Co., Ltd. (hereinafter referred to as Uniplus Electronics) within a limit of up to NT\$300 million. However, as of the printing date of the annual report, the private placement pricing for Uniplus Electronics Co., Ltd. has not been finalized, and thus, this investment plan has not been implemented.

VI. Analysis of Risk Management for the Past Year up to the Date of Printing the Annual Report:

(I) Impact of changes in interest rates, foreign exchange rates, and inflation in the most recent year on the Company's profit and loss, and future response measures:

1. Interests expenses of the Company form an insignificant part of net operating revenue; therefore, changes in interest rate has no significant effect on the Company.
2. Regarding foreign currency assets of the Company, specialists from the Finance Department are responsible for regular evaluation, and shall keep close contact with the foreign exchange department of corresponding banks to keep abreast the trend of changes in exchange rates, so as to minimize the effects of exchange rate fluctuation risks on the revenue and profit of the Company.
3. There has been no effect on the Company operation arising from inflation in 2023.

(II) Policy regarding high-risk and highly leveraged investments, loaning of funds, endorsements/guarantees, and derivatives transactions; the primary reasons for the profit or loss, and future response measures:

1. High-risk investments and highly leveraged investments

Currently, the Company does not engage in any high-risks or highly leveraged investments.

2. Loaning of funds, and endorsements/guarantees

- (1) As of the printing date of the annual report for 2023 and 2024, the Company has provided a loan to our subsidiary, Loftstar Interactive Entertainment Inc., with a limit of NT\$ 50,000 thousand. As of March 31, 2024, the actual disbursed amount is NT\$ 0. The sub-subsidiary Yunfang Co., Ltd. has provided a loan to the Company's subsidiary Chander Electronics Corp., with a limit of NT\$20,000 thousand. As of March 31, 2024, the deadline for the loan agreements has passed, and the actual disbursed amount is NT\$ 0. The sub-subsidiary Toptrend Technologies Corp. has provided a loan to the Company's subsidiary Chander Electronics Corp., with a limit of NT\$17,000 thousand. As of March 31, 2024, the actual disbursed amount is NT\$ 0. The sub-subsidiary Array Inc. has provided a loan to the Company's subsidiary Array Networks, Inc. (Array US), with a limit of US\$500 thousand. As of March 31, 2024, the actual disbursed amount is US\$500 thousand.
- (2) As of the printing date of the annual report for 2023 and 2024, the subsidiary Uniplus Electronics Co., Ltd. has provided an endorsement guarantee to the Company's sub-subsidiary San Jiang Electric MFG. Co., Ltd., with a limit of NT\$1,025,000 thousand. As of March 31, 2024, the actual disbursed amount is NT\$878,656 thousand. The sub-subsidiary Toptrend Technologies Corp. has provided an endorsement guarantee to the Company's subsidiary Chander Electronics Corp., with a limit of NT\$40,000 thousand. As of March 31, 2024, the actual disbursed amount is NT\$ 0.

3. Derivatives transactions

Currently, the Company does not engage in any derivatives transactions.

(III) Future R&D plans and R&D expenditure to be invested:

1. Future R&D plans:

- (1) Product R&D Plan - Brand IP Promotion: "The Bridge Curse 2: The Extrication" builds upon the experience of its predecessor, strengthening the game's content and incorporating elements that appeal to international players, aiming to promote the game worldwide. In addition to continuing to operate the existing popular IP, the R&D team will continue to explore Taiwan's local culture, aiming to integrate elements from games globally beloved by players, enhancing the attractiveness of our games and showcasing Taiwan's unique cultural charm to the world.
- (2) Product R&D Program – Brand IP Promotion: Collaborated with a renowned IP to develop the horror game "Incantation." This game will focus on suspense and horror themes, combining chilling scenes and thrilling plots to deliver an unparalleled gaming experience that will leave players on the edge of their seats. Through collaboration, we will obtain licensing for well-known intellectual properties to ensure that our game captures the most authentic and captivating horror experiences in terms of storylines, characters, and atmosphere. "Incantation" will become an impressively haunting horror game.
- (3) Product R&D Program - A new type of game: "Voice Love on Air" is a game revolves around the theme of voice directing, combining elements of Boys'

Love and romance simulation to create a unique and distinctive gaming experience. Players will take on the role of a voice director responsible for guiding the recording process of radio dramas. Through interacting with characters of various personalities, players collaboratively produce a variety of romantic stories for radio dramas. Through choices made in the game, players can influence the direction and outcome of the story, experiencing different love stories while enjoying the fun of recording radio dramas. "Voice Love on Air" will offer players a completely new gaming experience and is expected to generate enthusiastic discussions and reactions worldwide.

- (4) Enhancing Product Coverage: We plan to conduct multi-platform porting for our products. This means we will be porting our games and applications to multiple different platforms, including but not limited to PC, consoles, mobile phones, and tablets. By employing this approach, we can ensure that our products reach a wider audience and provide users with better experiences across different devices. This will also help to increase our market share and make our brand more competitive in different markets.

2. Game R&D expenditures excepted to be reinvested will be approximately NT\$144,000 thousand in 2024.

- (IV) Impact of changes of important domestic and international policies and laws on the Company's finance and business, and response measures: None.
- (V) Impact of changes in technology (including cybersecurity risks) and industry on the Company's finance and business, and response measures: None.
- (VI) Impact of changes of corporate images on crisis management and response measures: None.
- (VII) Projected benefits and possible risks in engaging in mergers or acquisitions and response measures: None.
- (VIII) Projected benefits and possible risks in expanding plants and response measures: None.
- (IX) Risks posed by concentrated procurement and sales and response measures: None.
- (X) Effect and risk of transfer or change of shares held by directors, supervisors and shareholders with 10% or more share ownership: and response measures: None.
- (XI) Impacts and risks arising from changes of management rights and response measures: None.
- (XII) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.
- (XIII) Other important risks, and mitigation measures being or to be taken: None.

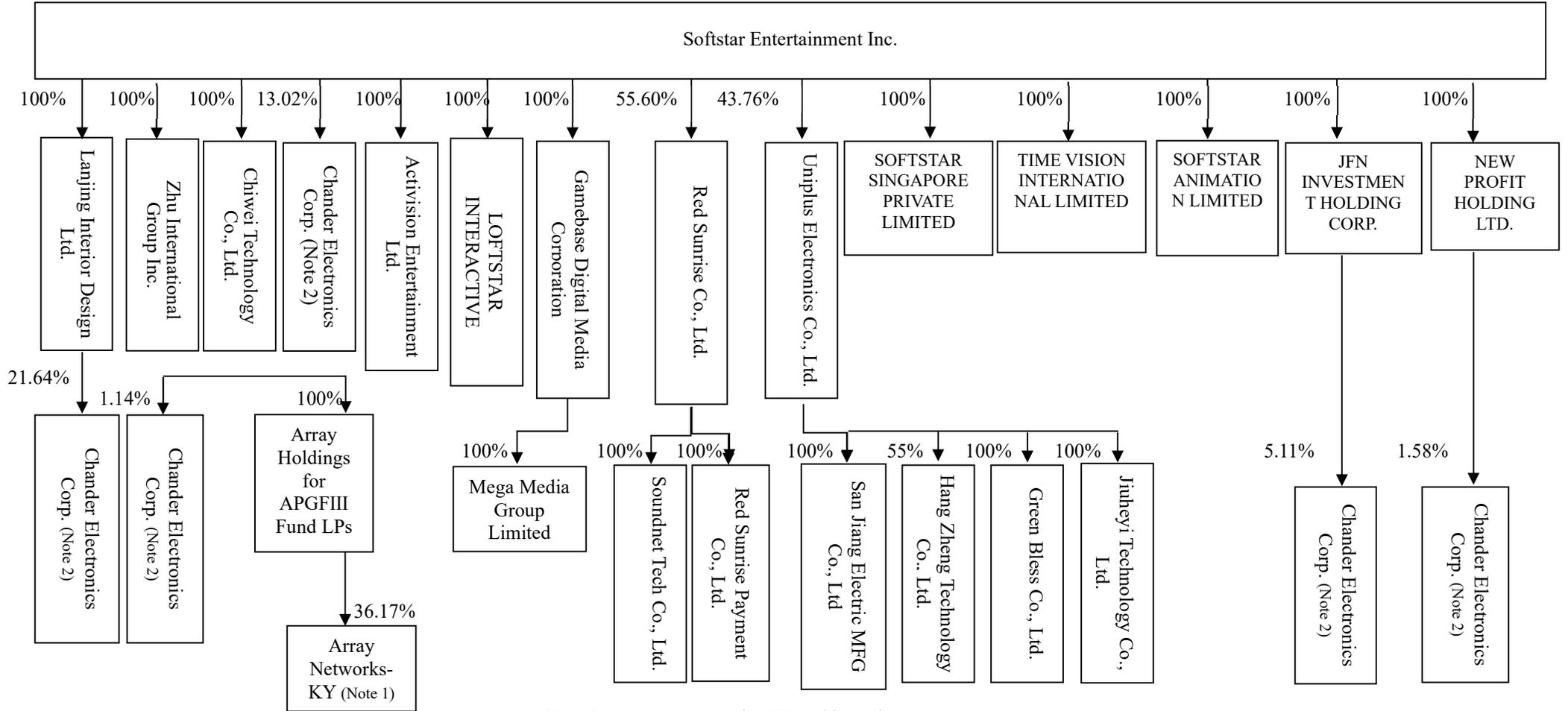
VII. Other Important Matters: None.

Chapter 8. Special Disclosure

I. Affiliated Companies

(I) Consolidated Business Report Covering Affiliated Companies

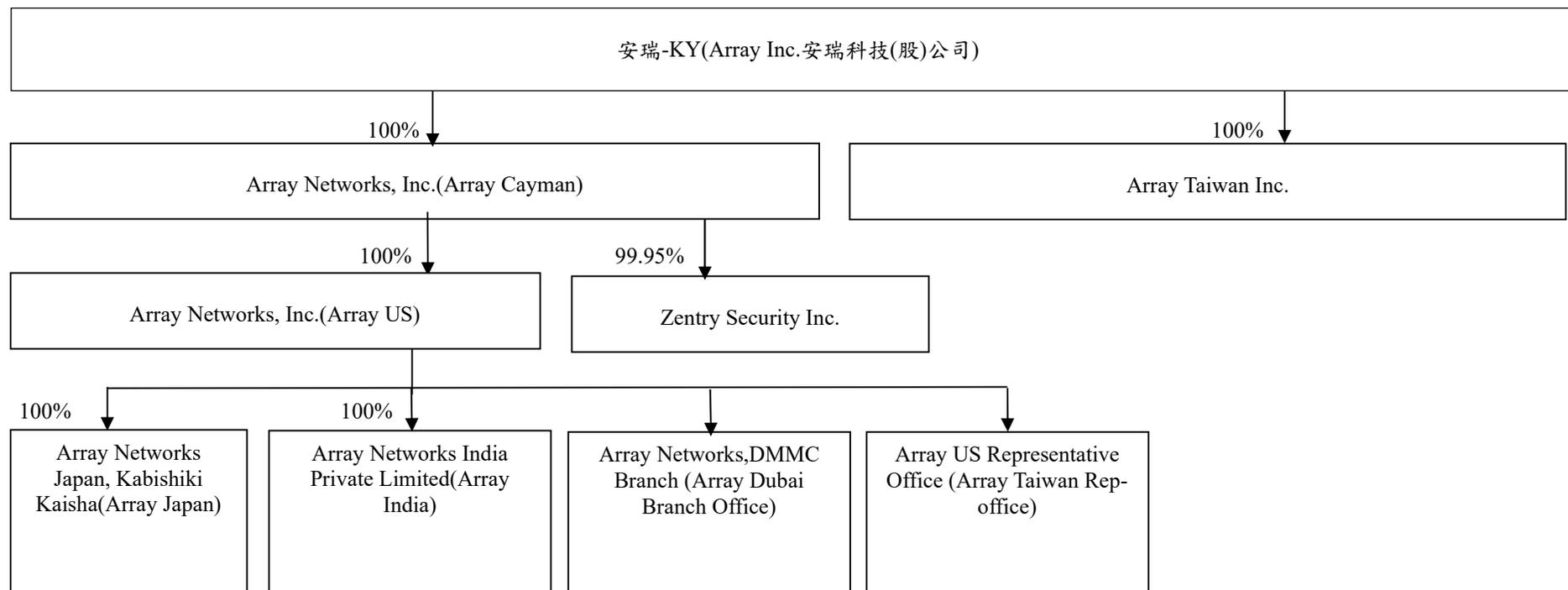
1. Organization of Affiliated Companies as of December 31, 2023



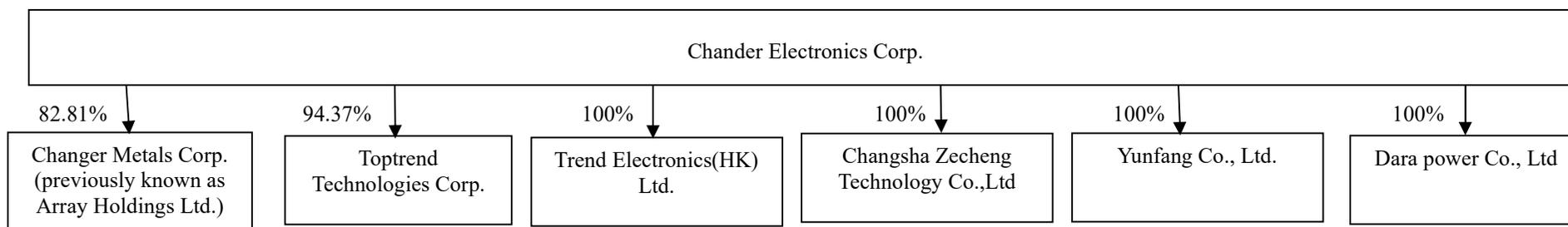
Note 1. Array Networks-KY and its re-investments.

Note 2. Chander Electronics Corp. and its re-investments.

Note 1.



Note 2.



2. Information on Affiliated Companies

As of December 31, 2023; Unit: NT\$ thousands

Affiliated Company	Date of Incorporation (yyyy/mm/dd)	Address	Paid-in Capital	Scope of Business or Production
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	2014/04/10	14F, No. 105, Section 2, Dunhua South Rd., Taipei City	148,500	Software wholesaling and information software services
Gamebase Digital Media Corporation	2011/05/26	13F, No. 69, Section 2, Dunhua South Rd., Taipei City	167,000	Software publishing and information software services
Activision Entertainment Ltd.	2015/02/04	4F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	6,000	Performing activities
Chiwei Technology Co., Ltd.	2021/05/20	4F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	222,797	General investment
Lanjing Interior Design Ltd.	2021/05/20	4F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	309,508	General investment
Uniplus Electronics Co., Ltd.	1991/09/06	No. 38-1, Dongyuan Road., Zhongli District, Taoyuan City	2,101,568	Manufacturing, pressing, processing, research and development, and trading of electronic components
Zhu International Group Inc.	2023/12/12	2F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	1,000	Catering Industry
Softstar Animation Limited	2016/05/11	Offshore Chambers, P.O.Box 217, Apia, Samoa	29,888	General investment
Time Vision International Limited	2021/01/06	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	47,154	General investment
JFN Investment Holding Corp.	2016/06/23	Vistra Corporate Services Centre, Wickhams CayII, Road Town, Tortora, VG1110, British Virgin Islands.	78,890	General investment
New Profit Holding Ltd.	2016/06/23	House of Francis, Room 303, Ile Du Port, Mahe, Seychelles	44,840	General investment
Softstar Singapore Private Limited	2023/05/25	987 Serangoon Road Singapore (328147)	3,191	General investment
Mega Media Group Limited	2016/02/02	House of Francis, Room 303, Ile Du Port, Mahe, Seychelles	77,350	General investment
Green Bless Co., Ltd.	2011/03/25	3F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	29,000	Beauty and skin care products

Affiliated Company	Date of Incorporation (yyyy/mm/dd)	Address	Paid-in Capital	Scope of Business or Production
Hang Zheng Technology Co., Ltd.	2019/12/06	No. 38-1, Dongyuan Road., Zhongli District, Taoyuan City	100,000	Wholesale of electronic equipment
Jiuheyi Technology Co., Ltd.	2021/05/24	3F, No. 8, Lane 11, Section 2, Dunhua South Rd., Taipei City	1,000	Wholesale of electronic equipment
San Jiang Electric MFG Co., Ltd	1970/02/20	No. 87, Guangxing St., Shulin Dist., New Taipei City	120,000	Distribution Machinery Manufacturing
Red Sunrise Co., Ltd.	2000/07/26	13F, No. 65, Section 2, Dunhua South Rd., Taipei City	139,500	Payment processing system service
Red Sunrise Payment Co., Ltd.	2012/12/28	13F, No. 65, Section 2, Dunhua South Rd., Taipei City	101,000	Third-party payment service
Soundnet Tech Co., Ltd.	2015/10/13	13F, No. 65, Section 2, Dunhua South Rd., Taipei City	2,820	Third-party payment service
Chander Electronics Corp.	1997/05/15	2F No. 531-1, Zhongzheng Rd., Xindian Dist., New Taipei City	807,659	Electronic circuit
Changer Metals Corp.	2021/12/24	2F, No. 531-1, Zhongzheng Rd., Xindian Dist., New Taipei City	3,000	Wholesale and retail of electronic components and information software, as well as data processing services.
Toptrend Technologies Corp.	1993/02/24	8-1F, No. 15, Ln. 360, Sec. 1, Neihu Rd., Neihu Dist., Taipei City	191,167	Electronics products and components trading services.
Changsha Zecheng Technology Co.,Ltd	2021/04/23	401 East End, Building B-5, Jinrui Lugu Science and Technology Park, No. 28 Lutian Road, High tech Development Zone, Changsha City, Hunan Province, China	26,486 (USD 858)	Distribution and agency of electronic components
Trend Electronics(HK) Ltd.	1999/06/09	Unit 138, 1/F., Palm Springs Commercial Centre, Palm Springs Boulevard, Yuen Long, N.T., Hong Kong	114,142	Distribution and agency of electronic components
Yunfang Co., Ltd.	2020/12/28	2F No. 531-1, Zhongzheng Rd., Xindian Dist., New Taipei City	5,000	Wholesale and retail industry of tobacco, alcohol, beverages, food, and medical equipment

Affiliated Company	Date of Incorporation (yyyy/mm/dd)	Address	Paid-in Capital	Scope of Business or Production
Dara power Co., Ltd	2023/06/05	2F, No. 531-1, Zhongzheng Rd., Xindian Dist., New Taipei City	8,000	Electronic Parts and Components Manufacturing, Energy Technical Services
Array Holdings for APGFIII Fund LPs	2020/11/06	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	(Note 1)	General investment
Array Networks	2008/12/19	Suite 102, Cannon Place, P.O. Box 712, North Sound Rd., George Town, Grand Cayman, KY1-9006, Cayman Islands	585,303	General investment
Array Taiwan Inc.	2022/07/18	9F, No. 65, Section 2, Dunhua South Rd., Taipei City	30,000	Information software service
Array Cayman	2003/09/11	Suite 102, Cannon Place, P.O. Box 712, North Sound Rd., George Town, Grand Cayman, KY1-9006, Cayman Islands	US18,202	General investment
Array US	2000/04/13	1371McCarthy Blvd. Milpitas, CA95035, USA	US6,019	R&D, manufacturing, and sales of internet functional platform products, internet connectivity security, and internet traffic acceleration related system equipment
Zentry Security Inc.	2019/11/13	1371 McCarthy Blvd. Milpitas, CA95035, USA	US11,200	Internet security linking system
Array Japan	2001/09/10	〒210-0004 4th Floor, GS Kawasaki Building, 6-12 Miyamotocho, Kawasaki-ku, Kawasaki City, Kanagawa Prefecture.	JPY10,000	R&D, manufacturing, and sales of internet functional platform products, internet connectivity security, and traffic acceleration related system equipment.
Array India	2019/09/06	Array Networks India Private Ltd. IndiQube Sigma Ground floor, Wing, 3B, 7th C Main Rd, 3rd Block, Koramangala, Bengaluru, Karnataka 560034 India	INR125,774	R&D, manufacturing, and sales of internet functional platform products, internet connectivity security, and traffic acceleration related system equipment.

Note 1. The paid-in capital is NT\$57.

Note 2. Information on Same Shareholders under Presumption of a Relationship of Control or Subordination: None.

Note 3. The overall business scope of our affiliated companies includes the R&D, operation, and licensing of standalone games, online games, and mobile games. We are also involved in the manufacturing, pressing, processing, and R&D of multi-layer printed circuit boards, copper foil substrates, fiberglass films, and various electronic components. Our services also encompass third-party collection and payment, payment processing, integrated circuits, computer equipment, and peripherals agency, maintenance, import and export trading, as well as domestic and international wine agency sales. Additionally, we engage in the R&D, manufacturing, and sales of internet functional platform products, internet connectivity security, and internet traffic acceleration related system equipment.

3. Directors, Supervisors, and Presidents of Affiliated Companies

As of December 31, 2023; Unit: 1,000 shares

Affiliated Company	Title	Name or Representative	Shareholding	
			Number of shares	Shareholding ratio
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	14,850	100.00%
	Director	Chen, Yao-Tien and Chuang, Jen-Chuan, representatives for SOFTSTAR ENTERTAINMENT INC.	14,850	100.00%
	President	Chen, Yao-Tien	0	0
	Supervisors	Hsieh, Fang-Shu, representatives for SOFTSTAR ENTERTAINMENT INC.	14,850	100.00%
Gamebase Digital Media Corporation	Chairman	Lien, Chien-Hsin, representative for SOFTSTAR ENTERTAINMENT INC.	16,700	100.00%
	Director	Tsai, Ming-Hung and Chuang, Jen-Chuan, representatives for SOFTSTAR ENTERTAINMENT INC.	16,700	100.00%
	Supervisors	Lin, Hui-Chen, representative for SOFTSTAR ENTERTAINMENT INC.	16,700	100.00%
Activision Entertainment Ltd.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	(Note 1)	100.00%
Chiwei Technology Co., Ltd.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	(Note 1)	100.00%
Lanjing Interior Design Ltd.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	(Note 1)	100.00%
Uniplus Electronics Co., Ltd.	Chairman	Tu, Chun-Kuang	0	0
	Director	Hsieh, Fang-Shu, representative of Global Angel Investments Limited	2	0
	Director	Chen, Yao-Tien and Lin, Hui-Zhen, representatives for SOFTSTAR ENTERTAINMENT INC.	91,955	43.76%
	Independent Director	Chi, De-Chang, Kao, Huan-Tang, Ku, Hsiao-Chen	0	0
Zhu International Group Inc.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	100	100.00%
	Director	Yeh, Ying-Yin and Lin, Hui-Chen, representative for SOFTSTAR ENTERTAINMENT INC.	100	100.00%
	Supervisors	Chuang, Jen-Chuan, representative for SOFTSTAR ENTERTAINMENT INC.	100	100.00%

Affiliated Company	Title	Name or Representative	Shareholding	
			Number of shares	Shareholding ratio
Softstar Animation Limited	Chairman	Tu, Chun-Kuang, representative for Softstar International Inc.	980	100.00%
Time Vision International Limited	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	1,500	100.00%
JFN Investment Holding Corp.	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	13	100.00%
New Profit Holding Ltd	Chairman	Tu, Chun-Kuang, representative for SOFTSTAR ENTERTAINMENT INC.	1,610	100.00%
Softstar Singapore Private Limited	Director	LIN YUN-HUN, TAMIL ARASAN S/ O Z JOSEPH, CHUANG JEN-CHUAN	800	99.99%
Mega Media Group Limited	Chairman	Tu, Chun-Kuang, representative of Gamebase Digital Media Corporation	2,800	100.00%
Green Bless Co., Ltd.	Chairman	Tu, Chun-Kuang, representative of Uniplus Electronics Co., Ltd.	2,900	100.00%
Hang Zheng Technology Co., Ltd.	Chairman	Yeh, Jih-Hung	4,500	45.00%
	Director	Hsieh, Ping-Hui, Chuang, Jen-Chu'an, representative of Uniplus Electronics Co., Ltd.	5,500	55.00%
	Supervisors	Juan, Chao-Hui	0	0
Jiuheyi Technology Co., Ltd.	Chairman	Tu, Chun-Kuang, representative of Uniplus Electronics Co., Ltd.	100	100.00%
San Jiang Electric MFG Co., Ltd	Chairman	Tu, Chun-Kuang, representative of Uniplus Electronics Co., Ltd.	12	100.00%
	Director	Hsieh, Ping-Hui, Chuang, Jen-Chu'an, representative of Uniplus Electronics Co., Ltd.	12	100.00%
	Supervisors	Juan, Chao-Hui, representative of Uniplus Electronics Co., Ltd.	12	100.00%

Affiliated Company	Title	Name or Representative	Shareholding	
			Number of shares	Shareholding ratio
Red Sunrise Co., Ltd.	Chairman	Lu, Bao-Lin	0	0
	Director	Lien, Chien-Hsin, Lin, Hui-Zhen and Chuang, Jen-Chu'an, representatives for SOFTSTAR ENTERTAINMENT INC.	7,756	55.60%
	Director	Heshan Co., Ltd.	228	1.63%
	Supervisors	Xie, Shu-Jin	0	0
Red Sunrise Payment Co., Ltd.	Chairman	Representative of Red Sunrise Co., Ltd.: Huang, Xuan-De	10,100	100%
Soundnet Tech Co., Ltd.	Chairman	Representative of Red Sunrise Co., Ltd.: Huang, Xuan-De	282	100%
Chander Electronics Corp.	Chairman	Representative of New Profit Holding Ltd.: Tu, Chun-Jung	1,274	1.58%
	Director	Representative of New Profit Holding Ltd.: Chuang, Jen-Chu'an (Note 4)	1,274	1.58%
	Director	Representative of Lanjing Interior Design Ltd.: Chen, I-Fang	17,479	21.64%
	Director	Representative of Chander Investment Co., Ltd.: Zhang, Yu-Da	1,076	1.33%
	Independent Director	Chen, Dao-Song, Tsai, Cheng-Yun	0	0
	Independent Director	Zhang, Zhi-Wei	2	0.002%
	President	Lo, Tzu-Liang	0	0
Changer Metals Corp.	Chairman	Representative of Chander Electronics Corp.: Tu, Chun-Jung	248	82.81%
	Supervisors	Lin, Chen-Hsuan	0	0
Toptrend Technologies Corp.	Chairman	Wang, Kai-Yuan	0	0
	Director	Representatives of Chander Electronics Corp.: Tu, Chun-Jung and Zhang, Ping-Gao	18,040	94.37%
	Supervisors	Zhou, Hui-Fei , Wang, Yun-Qi	0	0

Affiliated Company	Title	Name or Representative	Shareholding	
			Number of shares	Shareholding ratio
Changsha Zecheng Technology Co., Ltd	Chairman	Representative of Chander Electronics Corp.: Tu, Chun-Jung	(Note 1)	100%
Trend Electronics(HK) Ltd.	Director	Tu, Chun-Jung	0	0
Yunfang Co., Ltd.	Chairman	Representative of Chander Electronics Corp.: Tu, Chun-Jung	500	100%
Dara power Co., Ltd	Chairman	Representative of Chander Electronics Corp.: Tu, Chun-Jung	800	100%
Array Holdings for APGFIII Fund LPs	Chairman	Representative of Chih Wei Technology Ltd.: Tu, Chun-Kuang	(Note 2)	100%
Array Networks (Note 3)	Chairman	Representative of Array Holdings for APGFIII Fund LPs (Shareholder Name Recorded: CTBC Bank Co., Ltd. Custodian Array Holdings - Asia Pacific Growth Fund III Limited Partnership Investment Account): Lien Chien-Chin	21,172	36.17%
	Director	Representative of Array Holdings for APGFIII Fund LPs (Shareholder Name Recorded: CTBC Bank Co., Ltd. Custodian Array Holdings - Asia Pacific Growth Fund III Limited Partnership Investment Account): Zhao, Yao (Note 3)	21,172	36.17%
	Director	Representative of Array Holdings for APGFIII Fund LPs (Shareholder Name Recorded: CTBC Bank Co., Ltd. Custodian Array Holdings - Asia Pacific Growth Fund III Limited Partnership Investment Account): Lin, Yun-Hua	21,172	36.17%
	Director	Chen, I-Shun (Note 3)	30	0
	Independent Director	Hsiao, Yu-Wen	0	0
	Independent Director	Yang, Chin-Hui	0	0
	Independent Director	Wu, Po-I	0	0
	President	Huang, Chien-Chiao	22	0

Affiliated Company	Title	Name or Representative	Shareholding	
			Number of shares	Shareholding ratio
Array Taiwan Inc.	Chairman	Representative of Array Inc.: Lien, Chien-Chin	3,000	100%
Array Cayman	Chairman	Lien, Chien-Chin	0	0
Array US (Note 3)	Chairman	Zhao, Yao (Note 3)	0	0
	Director	Tu, Chun-Kuang	0	0
	Director	Lien, Chien-Chin	0	0
Zentry Security Inc. (Note 3)	Director President	Zhao, Yao (Note 3) Andy Swett (Note 3)	(Note 1)	99.95%
Array Japan	Chairman	Lien, Chien-Chin	0	0
Array India(Note 3)	Director	Zhao, Yao (Note 3), shibu paul	0	0

Note 1. This is a limited company with no issued shares.

Note 2. The number of shares issued is 2 shares.

Note 3. On January 16, 2024, Array Networks announced the replacement of one seat on the Board of Directors by the legal entity director, Array Holdings - Asia Pacific Growth Fund III Limited Partnership Investment Account, with Huang, Chien-Chiao serving as the director representative. Additionally, on February 6, 2024, Array US's Chairman of the Board and President were replaced by Ahmed Sameena Siraj. And on the same day, Array India announced that Huang, Chien-Chiao would assume the position of director. Additionally, on April 19, 2024, director Chen, I-Shun announced his resignation. Furthermore, Zentry is currently undergoing liquidation proceedings.

Note 4. Chander Electronics Corp. announced on April 3, 2024, that New Profit Holding Ltd (representative: Chuang, Jen-Chu'an) resigned as legal entity director.

4. Financial Position and Operating Results of Affiliated Companies:

December 31, 2023

Unit: Thousand NT\$

Affiliated Company	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income (Loss)	Income (Loss) after Tax
LOFTSTAR INTERACTIVE ENTERTAINMENT INC.	148,500	298,264	286,800	11,464	339,482	(86,014)	(53,760)
Gamebase Digital Media Corporation	167,000	105,650	9,287	96,363	19,228	(15,388)	(31,996)
Activision Entertainment Ltd.	6,000	896	10	886	0	(59)	(57)
Chiwei Technology Co., Ltd.	222,797	207,413	0	207,413	0	(60)	(8,936)
Lanjing Interior Design Ltd.	309,508	345,375	0	345,375	0	(60)	(12,973)
Uniplus Electronics Co., Ltd.	2,101,568	2,142,281	909,688	1,232,593	170,936	(31,284)	9,932
Zhu International Group Inc.	1,000	798	41	757	0	(243)	(243)
Softstar Animation Limited	29,888	8,633	1,683	6,950	56	56	142
Time Vision International Limited	47,154	30,355	0	30,355	0	(309)	(30,422)
JFN Investment Holding Corp.	78,890	82,812	0	82,812	0	(97)	(3,145)
New Profit Holding Ltd	44,840	26,386	0	26,386	0	(97)	(1,040)
Softstar Singapore Private Limited	3,191	1,787	73	1,714	0	(2,255)	(2,458)
Mega Media Group Limited	77,350	72,756	0	72,756	0	0	(4,194)
Green Bless Co., Ltd.	29,000	16,403	1,153	15,250	11,738	(603)	(561)
Hang Zheng Technology Co., Ltd.	100,000	169,198	69,366	99,832	275,994	3,062	2,794
Jiuheyi Technology Co., Ltd.	1,000	661	20	641	0	(287)	(263)
San Jiang Electric MFG Co., Ltd (Note 1)	120,000	1,455,780	1,174,175	281,605	1,053,045	108,649	82,598
Red Sunrise Co., Ltd.	139,500	483,171	285,103	198,068	232,690	1,907	9,575
Red Sunrise Payment Co., Ltd.	101,000	90,418	3,564	86,854	4,787	(14,401)	(14,091)
Soundnet Tech Co., Ltd.	2,820	2,658	0	2,658	0	0	0
Chander Electronics Corp.	807,659	1,148,756	288,042	860,714	213,450	(33,982)	(45,824)

Changer Metals Corp.	3,000	609	285	324	9	(2,678)	(2,675)
Toptrend Technologies Corp.	191,167	445,305	107,611	337,694	489,565	13,879	15,493
Changsha Zecheng Technology Co.,Ltd	26,486	54,309	41,148	13,161	62,855	(7,234)	(9,890)
Trend Electronics(HK) Ltd.	114,142	8,708	306	8,402	0	(244)	(244)
Yunfang Co., Ltd.	5,000	2,726	0	2,726	0	(1,635)	(1,624)
Dara power Co., Ltd	8,000	7,260	942	6,318	0	(1,687)	(1,682)
Array Holdings for APGFIII Fund LPs (Note 2)	0	171,201	0	171,201	0	0	(10,088)
Array Networks	585,303	799,397	478,766	320,631	626,690	10,936	(21,223)
Array Taiwan Inc.	30,000	13,799	4,258	9,541	4,447	(17,858)	(18,623)
Array Cayman	US18,202	295,848	9,481	286,367	0	(49,128)	11,459
Array US	US6,019	676,179	328,489	347,690	403,936	(35,303)	12,442
Zentry Security Inc.	US11,200	218	138,281	(138,063)	1,434	(1,086)	(983)
Array Networks Japan Kabishiki Kaisha	JPY10,000	26,668	5,317	21,351	13,300	268	916
Array Networks India Private Limited	INR125,774	427,224	348,336	78,888	365,162	79,398	39,842

Note 1. The Company obtained control of San Jiang Electric MFG Co., Ltd. in March 2023 and consolidated it into the consolidated financial statements.

Note 2. The paid-in capital of Array Holdings for APGFIII Fund LPs is NT\$57.

Note: On December 31, 2023, the exchange rate of US dollar to NT dollar was 1:30.705 (balance sheet) and 1:31.155 (income statement).

(II) Consolidated Financial Statements Covering Affiliated Companies: Same as the consolidated financial statements (refer to the Attachment I).

(III) Statement on Consolidated Financial Statements Covering Affiliated Companies

SOFTSTAR ENTERTAINMENT INC. and Subsidiaries

Statement on Consolidated Financial Statements Covering Affiliated Companies

In 2023 (from January 1, 2023 to December 31, 2023), the companies required to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards (IFRS) 10, and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. The Company hereby produces this declaration to the effect that no preparation for the separate consolidated financial statements of affiliates is required.

Very truly yours,

SOFTSTAR ENTERTAINMENT INC.

Chairman: Tu, Chun-Kuang

March 29, 2024

(IV) Affiliation Report: N/A.

II. Private Placement Securities in the Most Recent Years and up to the Date of Publication of the Annual Report:

Item	The first private placement in 2024 (Note 1) Issue Date: Not yet raised
Types of privately placed securities (Note 2)	Common shares
Date and amount approved by the shareholders' meeting (Note 3)	On April 29, 2024, the issuance of a total of 10 million shares of privately placed common shares was approved by the Board of Directors and submitted for approval at the Annual Shareholders' Meeting on June 25, 2024. Within one year from the date of the shareholders' meeting resolution, it will be implemented in three tranches.
Basis and reasonableness of price determination	The basis and reasonableness of the private placement pricing: <ol style="list-style-type: none"> 1. The reference price for privately placed common shares shall be the higher of the following two calculation: <ol style="list-style-type: none"> (1) The simple average closing price of the common shares for either the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction. (2) The simple average closing price of the common shares for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction. 2. The private placement pricing shall not be lower than 80% of the reference price. 3. The actual pricing date and actual private placement price are proposed to be determined by the Board of Directors authorized by the shareholders' meeting based on the future situation of specific persons and market conditions. The private placement price shall not be less than 80% of the aforementioned reference price and shall not be less than the face value of the stock. 4. The determination of the aforementioned private placement shall be reasonable, since it takes into account the low liquidity of privately placed common shares, and is based on the provisions of "Directions for Public Companies Conducting Private Placements of Securities".
Method for selecting the specific persons (Note 4)	It is proposed to authorize the Board of Directors to select specific persons in accordance with the provisions of Article 43-6 of the Securities and Exchange Act and the relevant interpretations of the competent authority.
Reasons for the necessity of conducting the private placement	At present, the Company still needs to inject operational capital into the Group, and consider the timeliness, convenience, and issuance cost of capital increase, thus it adopts private placement to raise capital. The implementation of this plan is expected to strengthen the

	competitiveness of the Company, improve the operational efficiency, and positively benefit shareholders' equity.				
Payment completion date	Not yet raised				
Placee information	Places of the private placement (Note 5)	Qualification requirements (Note 6)	Subscription quantities	Relationship with the company	Involvement in company operations
	Not yet raised	Not yet raised	Not yet raised	Not yet raised	Not yet raised
Actual subscription (or conversion) price (Note 7)	Not yet raised				
Discrepancy between the actual subscription (or conversion) price and the reference price (Note 7)	Not yet raised				
Effects of the private placement on shareholder equity (such as causing an increase in accumulated losses...)	Not yet raised				
Status of utilization of the funds and plan implementation progress from private placement	To replenish operational capital, repay bank loans, reinvest domestically and overseas, or otherwise meet the capital needs of the Company for future development. It is expected to improve the financial structure of the Company, contribute to the stable growth of the Company's operation, and positively contribute to the improvement of shareholders' equity.				
Realization of plan benefits from private placement	Not yet raised				

- Note 1. The number of columns can be adjusted based on the actual number of conducting. If there are multiple conducting of privately placed securities, they shall be listed separately.
- Note 2. Specify the types of privately placed securities such as common shares, preferred shares, convertible preferred shares, preferred shares with warrants, ordinary corporate bonds, convertible corporate bonds with warrants, overseas convertible corporate bonds, overseas depositary receipts, and employee stock warrants.
- Note 3. For privately placed corporate bonds that do not require approval by the shareholders' meeting, shall specify the date and amount of approval by the Board of Directors.
- Note 4. For private placement conducting, if the placees have already been determined, the name of the placees and the relation with the Company shall be specified.
- Note 5. The number of columns can be adjusted according to the actual number.
- Note 6. Specify the first, second, or third subparagraphs of Article 43-6, Paragraph 1 under the Securities and Exchange Act.
- Note 7. The actual subscription (or conversion) price refers to the subscription (or conversion) price of the actual issuance of privately placed securities.

III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the Date of Publication of the Annual Report:

The Shares in the Company Held or Disposed of by Subsidiaries
in the Most Recent Years and up to the Date of Publication of the Annual Report

Unit: Thousand NT\$; shares; %

Subsidiary Name (Note 1)	Paid-in Capital	Source of Funds	Shareholding Ratio of the Company	Date of Acquisition or Disposal	Number of Shares and Amount Obtained (Note 2)	Number of Shares and Amount for Disposal (Note 2)	Investment Gains and Losses	Number and amount of shares held as of the printing date of the annual report (Note 3)	Pledge Setting Status (Note 4)	The amount of endorsement guarantee provided by the Company to its subsidiary	The amount lent by the Company to its subsidiary
Uniplus Electronics Co., Ltd.	NT\$ 2,142,068 thousand	Self-owned capital	42.93%	2023/09/03	1,044,563 shares/stock dividend	-	-	-	-	-	-
				For 2023 up to the date of printing the Annual Report	-	-	-	6,370,290 shares / NT\$ 490,512 thousand	5,325,727 shares pledged to Taichung Commercial Bank	None	None
Chander Electronics Corp.	NT\$ 807,659 thousand	Self-owned capital	42.32%	2023/07/10	-	100,000 shares / NT\$ 6,206 thousand	-	-	-	-	-
				2023/09/03	102,186 shares/stock dividend	-	-	-	-	-	-
				For 2023 up to the date of printing the Annual Report	-	-	-	623,186 shares / NT\$ 47,985 thousand	None	None	None
Toptrend Technologies Corp.	NT\$ 191,167 thousand	Self-owned capital	39.94%	2023/09/03	134,548 shares/stock dividend	-	-	-	-	-	
				For 2023 up to the date of printing the Annual Report	-	-	-	820,548 shares / NT\$ 63,182 thousand	None	None	None

Note 1. Please list separately by subsidiary.

Note 2. The mentioned amounts refer to the actual acquisition or disposal amounts.

Note 3. The holding and disposal situations should be separately listed.

Note 4. The explanation of the impact on the Company's financial performance and financial condition shall also be provided.

IV. Other Necessary Supplement: None.

Chapter 9. Any of the Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act which Might Materially Affect Shareholders' Equity or Price of the Company's Securities in the Most Recent Year up to the Date of Publication of the Annual Report: None.

Appendix 1.

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2023 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of combined financial statements than the Consolidated Financial Statements.

Very truly yours,

SOFTSTAR ENTERTAINMENT INC.

Chairman: Tu, Chun-Kuang

March 29, 2024

Independent Auditors' Report

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, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of the other auditors (please refer to the Other Matter – Making Reference to the Audits of Other Auditors section of our report), 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, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of 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. Based on our audits and the reports of the other auditors, 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 2023 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 - the Power Distribution Machinery Manufacturing Department

The operating revenue of the Company's subsidiary, San Jiang Electric MFG. Co., Ltd., from the

sales of transformers and distribution boards (the power distribution machinery manufacturing department of the Group) during the year ended December 31, 2023 amounted to NT\$893,692 thousand. It is necessary to judge and determine the performance obligation of a contract and the timing of its satisfaction in terms of sales orders and agreements when recognizing the revenue. Therefore, we determined this is a key audit matter.

Our audit procedures included, but were not limited to:

1. Evaluating the appropriateness of the accounting policy related to revenue recognition and testing the effectiveness of the internal controls over the revenue recognition established by the management.
2. Selecting samples to perform tests of details and examine the relevant evidence to verify the accuracy of revenue recognition and the occurrence of transaction.
3. Performing cut off procedures by selecting revenue transactions for certain period before and after the balance sheet date, and tracing to relevant documents to verify whether the timing of revenue recognition was correct.
4. Performing analytical procedures to analyze the fluctuations in order to assess the reasonableness of the transactions.

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

Goodwill Impairment Assessment

The carrying amount of goodwill of the Company and its subsidiaries amounted to NT\$970,211 thousand, constituting 14% of the consolidated total assets as of December 31, 2023. The Company conducted the impairment tests annually on the goodwill acquired through business combinations in accordance with the regulations of International Financial Reporting Standards (IFRSs). As the carrying amount of goodwill is material to the Company and the assumptions involved management's judgement, we therefore considered this as a key audit matter.

Our audit procedures included, but were not limited to:

1. Understanding management's assessment processes and policies related to goodwill impairment;

2. Understanding management's criteria for identifying cash generating units and determining the measurement methods of recoverable amount, and reviewing the calculation process using the fair value less costs of disposal and value-in-use methods;
3. Understanding management's assessment process and basis for the projected growth rates and gross profit margins of the acquired companies' future operating prospects; and
4. Evaluating the valuation models and significant assumptions (including discount rates, etc.) utilized by management, and comparing the assumptions with market data and historical financial information to assess the reasonableness of management's judgments.

We also considered the appropriateness of the consolidated financial statements disclosure regarding goodwill impairment assessment in Note 4 and 6.

Other Matter – Making Reference to the Audit(s) of Other Auditors

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of other auditors. The total assets of those subsidiaries amounted to NT\$2,082,770 thousand and NT\$2,195,811 thousand, constituting 29% and 41% of consolidated total assets as of December 31, 2023 and 2022, respectively, and total operating revenues of NT\$1,334,656 thousand and NT\$1,059,283 thousand, constituting 41% and 47% of consolidated operating revenues for the years ended December 31 2023 and 2022, respectively. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT\$646,746 thousand and NT\$661,851 thousand, representing 8% and 12% of consolidated total assets as of December 31, 2023 and 2022, respectively. The related shares of profit or loss from the associates and joint ventures under the equity method amounted to NT\$(6,716) thousand and NT\$7,746 thousand, representing 2% of the consolidated loss before tax and 1% of the consolidated profit before tax for the years ended December 31 2023 and 2022, respectively, and the related shares of other comprehensive income (loss) from the associates and joint ventures under the equity method amounted to NT\$2,665 thousand and NT\$(2,415) thousand, representing 29% and (28)% of the consolidated other comprehensive income for the years ended December 31, 2023 and 2022, respectively.

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.

Auditors' 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 auditors' 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 the Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 auditors' 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 auditors' 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 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' 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

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2023 and 2022.

/s/Yu, Chien-Ju

/s/Lu, Chien-Uen

Ernst & Young, Taiwan

March 29, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, 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.

Accordingly, the accompanying parent company only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022 (Adjusted)
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		Liabilities and Equity	Notes	As of	
		December 31, 2023	December 31, 2022 (Adjusted) (Note)			December 31, 2023	December 31, 2022 (Adjusted) (Note)
Current assets				Current liabilities			
Cash and cash equivalents	4 and 6	\$843,759	\$1,590,141	Short-term borrowings	6 and 8	\$1,043,669	\$441,181
Financial assets at fair value through profit or loss, current	4 and 6	33,629	19,496	Contract liabilities, current	4 and 6	168,052	175,489
Notes receivable, net	4 and 6	7,834	11,056	Notes payable		24,885	4,975
Notes receivable-related parties, net	4, 6 and 7	-	804	Accounts payable	6	561,340	186,745
Accounts receivable, net	4 and 6	1,010,573	873,506	Other payables	6	745,991	297,016
Accounts receivable-related parties, net	4, 6 and 7	7,373	11,448	Other payables-related parties	7	188	805
Other receivables	4	30,917	8,263	Current income tax liabilities	4 and 6	84,134	9,992
Other receivables-related parties	4 and 7	763	106	Provisions, current	4	6,174	6,104
Current income tax assets	4	21,252	14,776	Lease liabilities, current	4, 6 and 7	64,867	51,220
Inventories, net	4 and 6	1,067,282	224,358	Current portion of long-term borrowings	4, 6 and 8	228,860	123,162
Prepayment	4, 6 and 7	156,125	90,292	Other current liabilities	6	232,489	253,728
Other financial assets, current	4, 6 and 8	311,687	392,179	Total current liabilities		3,160,649	1,550,417
Other current assets		29,962	13,330	Non-current liabilities			
Total current assets		3,521,156	3,249,755	Contract liabilities, non-current	4 and 6	146,411	163,802
Non-current assets				Long-term borrowings	4, 6 and 8	536,676	135,089
Designated financial assets at fair value through profit or loss, non-current	4, 6 and 7	34,403	27,971	Provision, non-current	4	2,861	-
Financial assets at fair value through other comprehensive income, non-current	4 and 6	122,299	69,519	Deferred tax liabilities	4 and 6	153,109	82,662
Investments accounted for using the equity method	4, 6 and 8	658,190	683,828	Lease liabilities, non-current	4 and 6	114,226	88,713
Contract assets, non-current	4 and 6	6,495	3,638	Net defined benefit liabilities, non-current	4 and 6	1,794	6,502
Property, plant and equipment, net	4, 6 and 8	785,588	191,358	Other non-current liabilities		26,164	23,486
Right-of-use assets	4, 6 and 7	172,375	134,024	Total non-current liabilities		981,241	500,254
Intangible assets	4 and 6	1,523,574	851,702	Total liabilities		4,141,890	2,050,671
Deferred tax assets	4 and 6	33,345	15,516	Equity attributable to the parent company	4 and 6		
Other noncurrent assets		39,410	47,387	Common stock		1,038,836	852,630
Refundable deposits	7	30,469	24,517	Additional paid-in capital		263,061	158,340
Other financial assets, non-current	4, 6 and 8	205,166	23,345	Retained earnings			
Total non-current assets		3,611,314	2,072,805	Legal reserve		175,480	128,417
				Special reserve		146,211	247,943
				Unappropriated earnings		255,999	841,135
				Other components of equity		(183,322)	(146,210)
				Treasury shares		(143,448)	(101,847)
				Total equity attributable to the parent company		1,552,817	1,980,408
				Non-controlling interests	6	1,437,763	1,291,481
				Total equity		2,990,580	3,271,889
Total assets		\$7,132,470	\$5,322,560	Total liabilities and equity		\$7,132,470	\$5,322,560

Note: The Group had completed the purchase price allocation of Chander Electronics Corp. and Array Inc. on the control acquisition date, thus the consolidated balance sheet as of December 31, 2022 was adjusted.

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, 2023 and 2022 (Adjusted)
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	For the Years Ended December 31,	
		2023	2022 (Adjusted) (Note)
Net sales	4, 6 and 7	\$3,262,181	\$2,252,134
Cost of goods sold	7	(2,175,050)	(1,360,803)
Gross profit		1,087,131	891,331
Operating expenses	6 and 7		
Sales and marketing expenses		(597,106)	(467,537)
General and administrative expenses		(535,012)	(353,834)
Research and development expenses		(222,924)	(184,534)
Expected credit losses		(19,309)	(13,041)
Subtotal		(1,374,351)	(1,018,946)
Operating loss		(287,220)	(127,615)
Non-operating income and expenses			
Interest income	6 and 7	11,664	5,908
Other income	6 and 7	33,784	4,473
Other gains and losses	6	6,644	737,419
Finance costs	6	(41,401)	(15,379)
Share of profit or loss of associates and joint ventures accounted for using equity method		(9,113)	2,537
Subtotal		1,578	734,958
(Loss) profit before income tax		(285,642)	607,343
Income tax expense	4 and 6	(94,353)	(54,955)
Net (loss) income		(379,995)	552,388
Other comprehensive income (loss)	4 and 6		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		(359)	2,568
Unrealized gains or losses from financial assets at fair value through other comprehensive income (loss)		7,307	(11,286)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		2,670	513
Tax of items that will not be reclassified subsequently to profit or loss		72	(427)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences resulting from translating the financial statements of foreign operations		(384)	17,223
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		(5)	(15)
Total other comprehensive income (loss) , net of tax		9,301	8,576
Total comprehensive income		\$(370,694)	\$560,964
Net income attributable to:			
Stockholders of the parent		\$(335,127)	\$618,795
Non-controlling interests		(44,868)	(66,407)
		\$(379,995)	\$552,388
Comprehensive income (loss) attributable to:			
Stockholders of the parent		\$(328,032)	\$611,956
Non-controlling interests		(42,662)	(50,992)
		\$(370,694)	\$560,964
Earnings per share (NTD)	4 and 6		
Earnings per share-basic		\$(3.39)	\$6.20
Earnings per share-diluted		\$(3.39)	\$6.19

Note: The Group had completed the purchase price allocation of Chander Electronics Corp. and Array Inc. on the control acquisition date, thus the consolidated statement of comprehensive income for the year ended 2022 was adjusted, resulting in a decrease in net income by NT\$13,351 thousand.

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SOFSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(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 Shares	Total	Non-Controlling Interests	Total
Balance as of January 1, 2022	\$655,869	\$112,491	\$52,755	\$291,085	\$799,299	\$(11)	\$(247,932)	\$-	\$-	\$1,663,556	\$505,275	\$2,168,831
Appropriation and distribution of 2021 retained earnings												
Legal reserve	-	-	75,662	-	(75,662)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(196,761)	-	-	-	-	(196,761)	-	(196,761)
Stock dividends	196,761	-	-	-	(196,761)	-	-	-	-	-	-	-
Special reserve	-	-	-	(43,142)	43,142	-	-	-	-	-	-	-
Net income in 2022	-	-	-	-	618,795	-	-	-	-	618,795	(66,407)	552,388
Other comprehensive income (loss) in 2022	-	-	-	-	2,138	7,057	(16,034)	-	-	(6,839)	15,415	8,576
Total comprehensive income (loss)	-	-	-	-	620,933	7,057	(16,034)	-	-	611,956	(50,992)	560,964
Repurchase of treasury share	-	-	-	-	-	-	-	-	(6,943)	(6,943)	-	(6,943)
Retirement of treasury share	-	-	-	-	-	-	-	-	(94,904)	(94,904)	(169,586)	(264,490)
Parent company's cash dividends received by subsidiaries	-	4,227	-	-	-	-	-	-	-	4,227	-	4,227
Acquisition of parent company's stocks by subsidiaries recognized as treasury shares	-	2,411	-	-	(36,359)	11	(8)	-	-	(33,945)	(18,377)	(52,322)
Changes in ownership interests in subsidiaries	-	39,211	-	-	(5,989)	-	-	-	-	33,222	138,481	171,703
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	886,680	886,680
Disposal of investments in equity instruments measured at fair value through other comprehensive income or loss	-	-	-	-	(110,707)	-	110,707	-	-	-	-	-
Balance as of December 31, 2022	\$852,630	\$158,340	\$128,417	\$247,943	\$841,135	\$7,057	\$(153,267)	\$-	\$(101,847)	\$1,980,408	\$1,291,481	\$3,271,889
Balance as of January 1, 2023	\$852,630	\$158,340	\$128,417	\$247,943	\$841,135	\$7,057	\$(153,267)	\$-	\$(101,847)	\$1,980,408	\$1,291,481	\$3,271,889
Appropriation and distribution of 2022 retained earnings												
Legal reserve	-	-	47,063	-	(47,063)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(127,130)	-	-	-	-	(127,130)	-	(127,130)
Stock dividends	169,506	-	-	-	(169,506)	-	-	-	-	-	-	-
Special reserve	-	-	-	(101,732)	101,732	-	-	-	-	-	-	-
Net income in 2023	-	-	-	-	(335,127)	-	-	-	-	(335,127)	(44,868)	(379,995)
Other comprehensive income (loss) in 2023	-	-	-	-	(507)	(258)	7,860	-	-	7,095	2,206	9,301
Total comprehensive income (loss)	-	-	-	-	(335,634)	(258)	7,860	-	-	(328,032)	(42,662)	(370,694)
Repurchase of treasury share	-	-	-	-	-	-	-	-	(24,282)	(24,282)	-	(24,282)
Acquisition of parent company's stocks by subsidiaries recognized as treasury shares	-	-	-	-	-	-	-	-	(19,403)	(19,403)	19,403	-
Disposal of the parent company's stock by a subsidiary is regarded as a treasury stock transaction	-	2,682	-	-	-	-	-	-	2,084	4,766	2,774	7,540
Parent company's cash dividends received by subsidiaries	-	4,195	-	-	-	-	-	-	-	4,195	3,329	7,524
Difference between consideration and carrying amount of subsidiaries acquired	-	982	-	-	-	-	-	-	-	982	-	982
Changes in ownership interests in subsidiaries	-	(12,690)	-	-	(7,535)	-	-	-	-	(20,225)	5,338	(14,887)
Share-based payment transactions	16,700	109,552	-	-	-	-	-	(44,714)	-	81,538	-	81,538
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	158,100	158,100
Balance as of December 31, 2023	\$1,038,836	\$263,061	\$175,480	\$146,211	\$255,999	\$6,799	\$(145,407)	\$(44,714)	\$(143,448)	\$1,552,817	\$1,437,763	\$2,990,580

Note: The Group had completed the purchase price allocation of Chander Electronics Corp. and Array Inc. on the control acquisition date, thus the consolidated statements of changes in equity for the year ended December 31, 2022 and the balance as of January 1, 2023 were adjusted.

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, 2023 and 2022 (Adjusted)
(Expressed in Thousands of New Taiwan Dollars)

Description	For the Years Ended December 31,	
	2023	2022 (Adjusted) (Note)
Cash flows from operating activities:		
Net (loss) income before tax	\$(285,642)	\$607,343
Adjustments for:		
Depreciation	108,237	62,165
Amortization	78,036	42,619
Expected credit impairment losses (gains)	19,309	13,041
Loss on financial assets and liabilities at fair value through profit or loss	4,182	16,639
Interest expense	41,401	15,379
Interest income	(11,664)	(5,908)
Share-based payments expense	82,855	815
Share of net (profit) loss of associates and joint ventures accounted for using equity method	9,113	(2,537)
Loss on disposal of property, plant and equipment	3,612	1,977
Gain on disposal of intangible assets	-	(23,709)
Gain on disposal of investment	(38,410)	(648,250)
Impairment loss from non-financial assets	4,174	11,885
Others	669	3,553
Changes in operating assets and liabilities:		
Contract assets	(1,787)	22,478
Notes receivable, net	3,805	13,162
Notes receivable-related parties, net	804	(804)
Accounts receivable, net	18,051	(103,171)
Accounts receivable-related parties, net	4,075	5,736
Other receivables	(22,472)	5
Other receivables-related parties	(657)	515
Inventories, net	(238,615)	5,999
Prepayment	(41,927)	(30,949)
Other current assets	(16,607)	(5,819)
Other financial assets	28,555	(31,514)
Contract liabilities	(26,391)	(117,124)
Notes payable	(3,198)	62
Accounts payable	91,759	(15,552)
Other payables	(92,053)	5,370
Other payables-related parties	(624)	712
Provisions	2,931	4,438
Other current liabilities	17,294	(625,122)
Net defined benefit liabilities	(4,708)	(10,402)
Cash provided by operations	(265,893)	(786,968)
Interest received	11,664	5,908
Interest paid	(36,259)	(11,065)
Income tax paid	(66,563)	(247,597)
Net cash used in operating activities	(357,051)	(1,039,722)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(6,430)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	67,397
Acquisition of financial assets at fair value through profit or loss	(24,757)	(15,705)
Proceeds from disposal of financial assets at fair value through profit or loss	-	57,933
Acquisition of investments accounted for using equity method	(7,174)	(17,991)
Proceeds from disposal of investments accounted for using equity method	43,095	638,632
Acquisition of subsidiaries (net of cash acquired)	(708,257)	85,035
Acquisition of property, plant and equipment	(47,205)	(21,307)
Proceeds from disposal of property, plant and equipment	1,162	579
(Increase) decrease in refundable deposits	(5,952)	(4,826)
Acquisition of intangible assets	(59,574)	(18,676)
Proceeds from disposal of intangible assets	1,290	1,500
Decrease (increase) in other financial assets	25,564	558,856
(Increase) decrease in other noncurrent assets	(29,994)	(47,328)
Net cash (used in) provided by activities	(811,802)	1,277,669
Cash flows from financing activities:		
Increase in short-term borrowings	43,040	158,481
Proceeds from long-term borrowings	692,000	112,733
Repayment of long-term borrowings	(229,750)	(152,951)
Increase in guarantee deposits received	2,600	6,116
Repayment of the principal portion of lease liabilities	(64,067)	(48,136)
Cash dividends	(117,520)	(184,471)
Treasury stock transactions	(24,282)	(271,433)
Changes in non-controlling interests	120,560	(72,223)
Net cash provided by (used in) by financing activities	422,581	(451,884)
Net foreign exchange difference	(110)	8,556
Net decrease in cash and cash equivalents	(746,382)	(205,381)
Cash and cash equivalents at beginning of year	1,590,141	1,795,522
Cash and cash equivalents at end of year	\$843,759	\$1,590,141

Note: The Group had completed the purchase price allocation of Chander Electronics Corp. and Array Inc. on the control acquisition date, thus the consolidated statement of cash flows for the year ended December 31, 2022 was adjusted.

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

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

1. History and organization

Softstar Entertainment Inc. (“the Company”), formerly known as Cyber Power Systems, Inc., was incorporated in August 1998 in the Republic of China and changed its name to Softstar Entertainment Inc. the same year. The Company and its subsidiaries (“the Group”) main business include online games, game software; instructional software; research, design, sales of computer peripherals; multilayer printed circuit board; copper clad laminate; prepreg and electronic component manufacturing, lamination, research and development and trade of business operation; the production and sale of the transformers and distribution boards; third-party payment services; distribution, maintenance and trade of export electronic component, integrated circuit, computer equipment; domestic and foreign liquor agency; and research, manufacturing and sale of application delivery controllers, high-end SSL VPN systems, remote desktop access solutions, application acceleration and WAN optimization controllers. On August 8, 2001, the Company listed its shares of stock on the Taipei Exchange (TPEX). The Company’s registered office and the main business location is at 22F.-1, No. 77, Sec. 2, Dunhua S. Road, Republic of China (R.O.C.).

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

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 were authorized for issue by the Board of Directors on March 29, 2024.

3. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standards and amendments had no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. Apart from items (a) and (c) explained for which the Group for the time being is unable to reasonably estimate the impact of said standards or interpretations on the Group, the remaining standards and interpretations have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability - Amendments to IAS 21	1 January 2025

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

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

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

- (b) IFRS 17 “Insurance Contracts”

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

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

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

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under, the Group is temporarily unable to determine the impact.

4. Summary of material accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

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

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

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

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

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

If the Company loses control of a subsidiary, it:

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

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

F. recognizes any resulting difference in profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			December 31, 2023	December 31, 2022	
The Company	Loftstar Interactive Entertainment Inc.	Software wholesale and software services	100	100	
The Company	Activision Entertainment Ltd.	Performing arts	100	100	
The Company	Gamebase Digital Media Corporation	Software services and information processing services, etc.	100	100	
The Company	Softstar Animation Limited (SAL)	Investment holdings	100	100	
The Company	Time Vision International Limited (TVI)	Investment holdings	100	100	
The Company	Uniplus Electronics Co., Ltd.	Manufacture, lamination, processing, research and development, and merchandising of electronic parts/components	43.76	34.39	1
The Company	New Profit Holding Limited	Investment holdings	100	100	
The Company	JFN Investment Holding Corp	Investment holdings	100	100	
The Company	Lanjing Ltd.	Investment holdings	100	100	
The Company	Jiwei Technology Ltd.	Investment holdings	100	100	
The Company	Red Sunrise Co., Ltd.	Third-party payment services	55.60	50.72	2
The Company	Chander Electronics Corp.	Electronic Products Distribution	13.02	11.26	3
The Company	Softstar Singapore Private Limited	Investment holdings	100	-	4
The Company	Zhu International Group Inc.	Hospitality service	100	-	5
New Profit Holding Limited	Chander Electronics Corp.	Electronic Products Distribution	1.58	1.58	
JFN Investment Holding Corp	Chander Electronics Corp.	Electronic Products Distribution	5.11	5.11	
Lanjing Ltd.	Chander Electronics Corp.	Electronic Products Distribution	21.64	21.64	
Jiwei Technology Ltd.	Chander Electronics Corp.	Electronic Products Distribution	1.14	1.14	
Jiwei Technology Ltd.	Array Taiwan Inc.	Research and development of network functional platform products	-	100	6
Jiwei Technology Ltd.	Array Holdings for APGFIII Fund LPs	Investment holdings	100	100	
Uniplus Electronics Co., Ltd.	Chander Electronics Corp.	Electronic Products Distribution	-	2.48	3
Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	Beauty and skincare products	100	100	
Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Wholesale of electronic equipment	55.00	100	7
Uniplus Electronics Co., Ltd.	Jiu He Yi Technology Co., Ltd.	Wholesale of electronic equipment	100	100	
Uniplus Electronics Co., Ltd.	Ruihe Investment Co., Ltd.	Investment holdings	-	100	8
Uniplus Electronics Co., Ltd.	San Jiang Electric MFG. Co., Ltd.	Production and sale of transformers and distribution panels	100	-	9
San Jiang Electric MFG. Co., Ltd.	JiangFu Enterprise Co., Ltd.	Investment holdings	-	-	9

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			December 31, 2023	December 31, 2022	Note
Gamebase Digital Media Corporation	Mega Media Group Limited	Investment holdings	100	100	
Gamebase Digital Media Corporation	Seconds Media Corp.	Advertisement and information software services	100	-	10
Softstar Singapore Private Limited	Starlight Gaming India Private Limited	Game agent and marketing	99.99	-	11
Red Sunrise Co., Ltd.	Sun Tech Co., Ltd.	Sale of vouchers and BNPL	100	100	
Red Sunrise Co., Ltd.	Soundnet Tech Co., Ltd.	Design of computer software	100	100	
Chander Electronics Corp.	Chander Electronics (HK) Corporation	Maintenance, distribution and trade of electronic components, integrated circuits, computer equipment, liquor and related products	100	100	
Chander Electronics Corp.	Yun Fang Co., Ltd.	Tobacco, alcohol, beverage, food and medical equipment wholesalers and retail	100	100	
Chander Electronics Corp.	Changsha Zecheng Technology Co., Ltd.	Maintenance, distribution and trade of electronic components, integrated circuits, computer equipment, and related products	100	100	
Chander Electronics Corp.	Quan Zhe Metal Corp.	Electronic component products, information software wholesalers and retail, and data processing services	82.81	100	12
Chander Electronics Corp.	Toptrend Technologies Corp.	Electronic products and components trading services	94.37	89.75	13
Chander Electronics Corp.	Dara Power Co., Ltd.	Electronic parts and components manufacturing and Energy Technical Service	100	-	14
Array Holdings for APG FIII Fund LPs	Array Inc.	Research and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	36.17	41.42	15
Array Inc.	Array Networks, Inc. (Array Cayman)	Investment holdings	100	100	
Array Inc.	Array Taiwan Inc.	Research and development of network functional platform products	100	-	6

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			December 31, 2023	December 31, 2022	Note
Array Cayman	Array Networks, Inc. (Array US)	Research, manufacture and sale of Network Functions Platform, Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100	100	
Array Cayman	Zentry Security Inc.	Zentry modernizes the secure access with enhanced security, improved productivity, and ease of use. It helps customers migrate to Zero Trust Security model from obsolete perimeter model (Firewall & VPN)	99.95	99.95	
Array US	Array Networks Japan Kabishiki Kaisha	Research, manufacture and sale of Network Functions Platform, Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100	100	
Array US	Array Networks India Private Limited	Research, manufacture and sale of Network Functions Platform, Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100	100	

Note 1: In February 2023, Uniplus Electronics Co., Ltd. conducted a private placement for a cash capital increase of NT\$195,000 thousand, totaling 30,000 thousand shares, all of which were subscribed by the Company, resulting in 43.76% shareholding ratio.

Note 2: Red Sunrise Co., Ltd. increased its capital by NT\$100,000 thousand on July 15, 2022, and the Company subscribed NT\$40,000 thousand. As the Company did not acquire shares newly issued to its original ownership interest, the Company's interest was reduced from 55.03% to 50.72%. In July 2023, the Company acquired 680 thousand shares of Red Sunrise Co., Ltd. from its original shareholders, resulting in an increase in ownership to 55.60%.

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3: In March 2023, the Company acquired 2,000 thousand shares of Chander Electronics Corp. from Uniplus Electronics Co., Ltd. for NT\$48,200 thousand, increasing its shareholdings from 11.26% to 13.74%. The Company sold a total of 582 thousand shares of Chander Electronics Corp. during December 2023, thus the Company's shareholding ratio reduced to 13.02%.

Note 4: The Company established Softstar Singapore Private Limited registered in Singapore with 100% shareholdings, and the investment amount was NT\$3,191 thousand.

Note 5: The Company invested and established Zhu International Group Inc. on December 12, 2023.

Note 6: Jiwei Technology Ltd. established Array Taiwan Inc. in July 2022 with NT\$10,000 thousand of capital and 100% shareholdings. Array Inc.'s Board of Director resolved to acquire 100% shareholdings of Array Taiwan Inc. from Jiwei Technology Ltd. at the price of NT\$10,000 thousand in September 2022. The transfer of ownership was completed in January 2023.

Note 7: Hang Zheng Technology Co., Ltd. increased its capital by NT\$90,000 thousand on August 10, 2023, and Uniplus Electronics Co., Ltd. subscribed NT\$45,000 thousand. As Uniplus Electronics Co., Ltd. did not proportionally subscribe the newly issued shares according to its original ownership interest, the interest of Uniplus Electronics Co., Ltd. was reduced to 55.00%.

Note 8: Ruihe Investment Co., Ltd. was dissolved in September 2023.

Note 9: Uniplus Electronics Co., Ltd. acquired 11,550 ordinary shares from the original shareholders of San Jiang Electric MFG. Co., Ltd., including Mighty Firm International Ltd., and individual shareholders in March 2023. Additionally, Uniplus Electronics Co., Ltd. participated in a cash capital increase of 450 shares in March 2023, accumulating a total of 12,000 ordinary shares of San Jiang Electric MFG. Co., Ltd., and the shareholding ratio was 77.17%. Furthermore, JiangFu Enterprise Co., Ltd. holds 3,550 ordinary shares of San Jiang Electric MFG. Co., Ltd., with 22.83% shareholdings. Therefore, Uniplus Electronics Co., Ltd. actually held 100% shares of San Jiang Electric MFG. Co., Ltd. San Jiang Electric MFG. Co., Ltd. and its subsidiary, JiangFu Enterprise Co., Ltd., were included in the consolidated financial statements from the control acquisition date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

To operate more efficiently, San Jiang Electric MFG. Co., Ltd. resolved to conduct a short form merger with its subsidiary, JiangFu Enterprise Co., Ltd. The merger date was set on April 19 2023, and the registration was approved by the competent authority on May 3, 2023.

Note 10: Gamebase Digital Media Corporation participated in the establishment of Seconds Media Corp. in March 2023. Gamebase Digital Media Corporation subscribed to 300 thousand preferred shares with a contribution of NT\$3,000 thousand and had preferential dividends and distribution rights, resulting in 66.67% shareholdings. Gamebase Digital Media Corporation subsequently acquired 150 thousand ordinary shares in October 2023. As the shareholding ratio was 100%, it was consolidated.

Note 11: In October 2023, Softstar Singapore Private Limited acquired 800 thousand shares of Starlight Gaming India Private Limited amounted to NT\$3,124 thousand with 99.99% shareholdings.

Note 12: Quan Zhe Investment Co., Ltd. was renamed Quan Zhe Metal Corp. in October 2022. In May, October, and December of 2023, Quan Zhe Metal Corp. conducted cash capital increase. As Chander Electronics Corp. did not proportionally acquire newly issued shares according to its original ownership interest, its interest was reduced to 82.81%.

Note 13: On September 15, 2022, Chander Electronics Corp.'s board of directors resolved to issue new shares as consideration for the exchange of shares of Toptrend Technologies Corp. The ratio of share exchange was 1.3333 shares for 1 share of Chander's ordinary shares held by the transferees, and 4,106 thousand shares were issued. Chander originally held 12,566 thousand shares directly in Toptrend Technologies Corp., representing a 62.52% shareholding. After the share exchange in the new share issue, the Group acquired 5,474 thousand shares held by Toptrend Technologies Corp.'s other shareholders, raising its total shareholding to 89.75%. In September 2023, Toptrend Technologies Corp. canceled its treasury shares, and Chander Electronics Corp.'s shareholding ratio was raised to 94.37%.

Note 14: Chander Electronics Corp. established Dara Power Co., Ltd. in June 2023.

Note 15: In March 2023, Array Inc. increased capital through private placement in the amount of NT\$89,880 thousand, totaling 7,000 thousand shares. The Group did not participate in the subscription, and the employees of Array Inc. exercised employee stock options in June, July, September, and December 2023, totaling 423,100 shares. the Group's shareholding ratio was reduced to 36.17%.

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. The total assets of those subsidiaries amounted to NT\$2,082,770 thousand and NT\$2,195,811 thousand, constituting 29% and 41% of consolidated total assets as of December 31, 2023 and 2022, respectively, and total operating revenues of NT\$1,334,656 thousand and NT\$1,059,283 thousand, constituting 41% and 47% of consolidated operating revenues for the years ended December 31 2023 and 2022, respectively.

(4) Foreign currency transactions

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

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

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

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

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

Financial asset measured at fair value through profit or loss

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

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

B. Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

(11) Investments accounted for using the equity method

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

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

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

When the associate or joint venture issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

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

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

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

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

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

(12) Property, plant and equipment

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

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

Buildings	50~55 years
Machinery and equipment	1~10 years
Office equipment	3~5 years
Leasehold improvements	3~5 years
Transportation equipment	5 years
Other equipment	1~8 years

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

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

(13) Leases

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor

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

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets

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

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

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

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

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

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

	Trademark	Game royalty	Computer software	Technology of patent	Goodwill	Other Intangible assets
Useful lives	Indefinite	Finite	Finite	Finite	Indefinite	Finite
Amortization method used	No amortization	Amortized on a straight-line basis within six months from the date of commercial operation of the game.	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life	No amortization. Tested for impairment annually.	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired

The digital assets with indefinite useful lives was recognized as other intangible assets and subject to impairment testing according to fair value on a quarterly basis.

(15) Impairment of non-financial assets

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

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

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

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

(16) Provisions

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

Sales returns and allowances

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

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(17) Treasury stocks

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

(18) Revenue recognition

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

Sale of goods

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

The Group recognizes revenue and accounts receivable when the products of electronic components, tobacco, liquor, application delivery controllers, high-end SSL VPN systems, remote desktop access solutions, application acceleration and WAN optimization controllers are delivered and arrived at the place designated by the customers, as the customers have the right of pricing and use and responsibility of reselling and take the risk on obsolescence of the goods.

The credit period of the Group's sale of goods is from 30 to 180 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

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

For some contracts, if the Group has fulfilled the performance obligation but does not have a right to an unconditional consideration, these contracts should be presented as contract assets. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. For some rendering of services contracts, when part of the consideration was received from customers upon signing the contract and the Group owns the obligation to provide the services subsequently, these contracts should be recognized as contract liabilities.

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

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

D. The Group provides third-party payment services to members, after the performance obligations of the contracts with customers are identified, the transaction price is allocated to each performance obligation, and revenue is recognized when each performance obligation is satisfied. As the revenue of transaction fees from cash flow services is specially related to each distinct cash flow or logistics service, it is recognized at a point in time when the transaction is processed. The revenue of annual fee is recognized as contract liabilities once the annual membership fees was received and subsequently realized as revenue on timely basis according to the agreed contract period, which typically ranges from one to three years.

E. The Group provides after-sales support services of application delivery controllers, high-end SSL VPN systems, remote desktop access solutions, application acceleration and WAN optimization controllers. As the Group provides support services, customers simultaneously receive and consume the benefits provided by the Group's satisfaction of performance obligations. Consequently, the related revenue is recognized when services are rendered.

(19) Borrowing Costs

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

(20) Government grants

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

(21) Post-employment benefits

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

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

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

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

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

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

(22) Share-based payment transactions

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

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

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

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

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

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

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

(23) Income taxes

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

Current income tax

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

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

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Deferred tax

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

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

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

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

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

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

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

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

(24) Business combinations and goodwill

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

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

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

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

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

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

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

5. Significant accounting judgements, estimates and assumptions

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

(1) Judgement

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

A. Revenue recognition – royalties

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

B. Business combination

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

C. Judgment regarding acting as a principal or as an agent on commission

Regarding revenue transactions, since the Group is engaged in the distribution agency business, it should judge whether the performance obligations of the sales contract are in the role of the principal or the agent, and determine whether the total consideration that is expected to be received in exchange should be recognized as revenue, or the amount of any fees or commissions expected to be received in exchange for arranging specific goods provided by the other party should be recognized as revenue.

(2) Estimates and assumptions

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

A. Estimate of variable consideration

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

B. Accounts receivables—estimate of impairment loss

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

C. Fair value of financial instruments

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

D. Inventories

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

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E. Impairment of non-financial assets

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

F. Income tax

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

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

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2023	2022
Cash on hand and petty cash	\$1,347	\$1,079
Checking and saving accounts	827,057	1,589,062
Time deposit	15,355	-
Total	<u>\$843,759</u>	<u>\$1,590,141</u>

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(2) Notes receivable and Notes receivable-related parties

	As of December 31,	
	2023	2022
Notes receivable	\$7,834	\$11,056
Less: loss allowance	-	-
Subtotal	7,834	11,056
Notes receivable-related parties	-	804
Total	<u>\$7,834</u>	<u>\$11,860</u>

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9. Please refer to Note 6 (22) for more details on loss allowance and Note 12 for details on credit risk.

(3) Accounts receivable and Accounts receivable-related parties

	As of December 31,	
	2023	2022
Accounts receivable	\$1,070,238	\$910,109
Less: Loss allowance	(59,665)	(36,603)
Subtotal	1,010,573	873,506
Accounts receivable-related parties	7,373	11,448
Total	<u>\$1,017,946</u>	<u>\$884,954</u>

Accounts receivables were not pledged.

Accounts receivables are generally on 30-180 day terms. The total carrying amount as of December 31, 2023 and 2022 were NT\$1,077,611 thousand and NT\$921,557 thousand, respectively. Please refer to Note 6 (22) for more details on loss allowance of accounts receivable for the years ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(4) Inventories, net

	As of December 31,	
	2023	2022
Raw materials	\$150,410	\$88,141
Work in progress	48,211	1,946
Finished goods	771,667	41,608
Commodities	96,994	92,663
Total	<u>\$1,067,282</u>	<u>\$224,358</u>

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(A) Expenses and loss incurred on inventories were as follows:

	For the years ended	
	December 31,	
	2023	2022
Cost of goods sold	\$1,852,097	\$971,493
Write-downs (reversal) of inventories	(4,252)	(1,882)
Total	<u>\$1,847,845</u>	<u>\$969,611</u>

For the years ended December 31, 2023 and 2022, the reversal of inventory write-down were amounted to NT\$4,252 thousand and NT\$1,882 thousand, respectively. The reversal of net realizable value of inventories for the years ended December 31, 2023 and 2022 was because of the partial inventories close-out.

(B) No inventories were pledged.

(5) Prepayments

	As of December 31,	
	2023	2022
Prepayment for purchases	\$67,763	\$31,307
Prepaid outsourcing fee	70,960	30,920
Other prepayments	17,402	28,065
Total	<u>\$156,125</u>	<u>\$90,292</u>

(6) Other financial assets

	As of December 31,	
	2023	2022
Restricted trust deposits	\$188,351	\$237,930
Restricted demand deposits	154,363	112,306
Restricted time deposits	173,371	64,520
Pledged deposits	768	768
Total	<u>\$516,853</u>	<u>\$415,524</u>
Current	<u>\$311,687</u>	<u>\$392,179</u>
Non-current	<u>\$205,166</u>	<u>\$23,345</u>

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The Group’s proxy receipts from cash flow and logistics service are guaranteed by delivering to trust, which means to enter into a trust contract with a trust management bank, and the proxy receipts will be remitted to the dedicated trust account in accordance with the contract. Subsequently, the trust management bank will remit the proxy receipts to designated members based on the Company's transaction instructions. These proxy receipts deposited in the trust accounts were recognized as “restricted demand deposits” and “restricted trust deposits”.

Please refer to Note 8 for further details on pledged financial assets measured at amortized cost.

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

	As of December 31,	
	2023	2022
Financial assets designated at fair value through profit or loss:		
Wisdom Capital Limited Partnership	\$17,323	\$6,934
Cathy Private Equity Smart Technology Limited Partnership	12,910	12,424
Morgan Stanley Mutual Funds	11,845	11,291
Cathy Private Equity Ecology Limited Partnership	9,293	12,263
Outstanding Capital Limited Partnership (Note 1)	8,272	284
Vertex Venfures (SG) SEA V LP	3,928	-
Film investment agreement (Note 2)	3,000	3,000
Allianz Global Investors Income and Growth Fund	1,461	1,271
Total	<u>\$68,032</u>	<u>\$47,467</u>
Current	<u>\$33,629</u>	<u>\$19,496</u>
Non-current	<u>\$34,403</u>	<u>\$27,971</u>

Note 1: The Group entered into a limited partnership agreement with Outstanding Capital Limited Partnership with a specified duration in 2022. Once the agreement expires, the dissolution and liquidation of the limited partnership will be commenced, and the net assets will be distributed to the investors proportionately. The Group assessed that the net assets of this investment object was nearly equal to its fair value.

Note 2: The profit generated from the film would be allocated to the Group and other corporations based on the signed investment agreement.

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

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

	As of December 31,	
	2023	2022
Equity instrument investments measured at fair value through other comprehensive income, noncurrent:		
Listed company stocks		
Newretail Co., Ltd.	\$6,951	\$6,093
Emerging market stocks		
Meimai Technology Co., Ltd.	3,085	3,386
Private company stocks		
Super Energy Materials Inc.	90,880	45,430
Taiwan Smart Card Co.	12,971	6,160
BLC Group Holding Limited	8,352	8,358
Hanbang Precision Technology Co., Ltd.	60	92
Total	<u>\$122,299</u>	<u>\$69,519</u>

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

(9) Investments accounted for using the equity method

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

Investees	As of December 31,				Note
	2023		2022 (Adjusted)		
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	
<u>Investments in associates:</u>					
Neweb Technologies Co., Ltd.	\$556,349	32.63%	\$559,162	32.63%	
Niusnews Co., Ltd.	90,397	35.72%	102,689	34.25%	Note 1
Double Edge Entertainment Corp.	11,084	30.31%	12,597	30.31%	
A.R.T. Games Co., Ltd.	360	49%	1,635	49%	
PayNow Inc.	-	-%	7,745	41.44%	Note 2
Chia-e International Inc.	-	28.21%	-	28.21%	
Total	<u>\$658,190</u>		<u>\$683,828</u>		

Note 1: On January 3, 2023, the Group increased its investment in Niusnews Co., Ltd. through Gamebase Digital Media Corporation by NT\$7,174 thousand, and the Group's total shareholding ratio raised to 35.72%.

Note 2: In August 2023, the Group sold all shares of PayNow Inc.

A. Investments in Associates

Information on the material associate of the Group:

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Company name: Neweb Technologies Co., Ltd.

Nature of the relationship with the associate: Neweb Technologies Co., Ltd. is in the business of information processing services. The Group invested in Neweb Technologies Co., Ltd. for the purpose of business needs.

Principal place of business (country of incorporation): Taiwan

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

The summarized financial information of the associate is as follows:

	As of December 31,	
	2023	2022 (Adjusted)
Current assets	\$3,152,451	\$2,907,333
Non-current assets	840,366	759,011
Current liabilities	(2,890,125)	(2,572,451)
Non-current liabilities	(91,023)	(92,704)
Equity	1,011,669	1,001,189
Property of the Group's ownership	32.63%	32.63%
Subtotal	330,106	332,919
Goodwill	226,243	226,243
Carrying amount of the investment	<u>\$556,349</u>	<u>\$559,162</u>
	For the years ended	
	December 31,	
	2023	2022
Operating revenue	<u>\$1,268,071</u>	<u>\$1,150,592</u>
Profit or loss from continuing operations	\$2,296	\$57,460
Other comprehensive income	8,184	(7,400)
Total comprehensive income	<u>\$10,480</u>	<u>\$50,060</u>

B. The Group's investments in Niusnews Co., Ltd., Double Edge Entertainment Corp., PayNow Inc., A.R.T. Games Co., and Chia-e International Inc. are not individually material. The aggregate carrying amount of the Group's interests in Niusnews Co., Ltd., Double Edge Entertainment Corp., PayNow Inc., A.R.T. Games Co., and Chia-e International Inc. was NT\$101,841 thousand and NT\$124,666 thousand, as of December 31, 2023 and 2022, respectively. The aggregate financial information is as follows:

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	For the years ended December 31,	
	2023	2022
Net loss from continuing operations (Note)	\$ (27,537)	\$ (44,206)
Other comprehensive income (net of tax) (Note)	-	2
Total comprehensive loss (Note)	<u>\$ (27,537)</u>	<u>\$ (44,204)</u>

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

	Investment gain/(loss) For the years ended December 31,	
	2023	2022
Niusnews Co., Ltd.	\$ (7,465)	\$ (12,351)
Double Edge Entertainment Corp.	(1,507)	(705)
A.R.T. Games Co., Ltd.	(1,275)	(1,788)
Neweb Technologies Co., Ltd.	749	20,097
PayNow Inc.	385	1,156
Array Holdings for APGFIII Fund LPs	-	(3,890)
Chander Electronic Corp.	-	18
Total	<u>\$ (9,113)</u>	<u>\$ 2,537</u>

D. The Group recognized impairment loss amounted to NT\$7,966 thousand on the investments accounted for using the equity method after assessing the possibility of recoverable amount for the year ended December 31, 2023.

E. The aforementioned associates had no contingent liabilities or capital commitments as of December 31, 2023 and 2022. No investments accounted for using the equity method were pledged.

F. We did not audit the financial statements of certain investee companies. Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for those investee companies accounted for using equity method and information disclosed in Note 13 relating to these equity investments, is based solely on the audit reports of other auditors. These associates and joint ventures under equity method amounted to NT\$646,746 thousand and NT\$661,851 thousand, representing 8% and 12% of consolidated total assets as of December 31, 2023 and 2022, respectively. The related shares of profit or loss from the associates and joint ventures under the equity method amounted to NT\$(6,716) thousand and NT\$7,746 thousand, representing 2% of the consolidated loss before tax and 1% of the consolidated profit before tax for the years ended December 31 2023 and 2022, respectively, and the related shares of other comprehensive income (loss) from the associates and joint ventures under the equity method amounted to NT\$2,665 thousand and NT\$(2,415) thousand, representing 29% and (28)% of the consolidated other comprehensive income for the years ended December 31, 2023 and 2022, respectively.

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(10) Property, plant and equipment

	As of December 31,							Total
	2023		2022					
	\$785,588		\$191,358					
A. Owner occupied property, plant and equipment								
	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
Cost:								
As of January 1, 2023 (Adjusted)	\$72,454	\$71,626	\$182,385	\$68,242	\$2,227	\$109,719	\$12,704	\$519,357
Additions	-	2,830	17,065	8,279	227	4,967	13,837	47,205
Disposals	-	-	(86,035)	(1,885)	(2,535)	(19,578)	(3,036)	(113,069)
Acquisition of indirect subsidiaries	521,622	58,294	94,480	10,397	3,491	1,302	-	689,586
Other changes	-	7,461	19,479	(14,618)	-	2,369	(1)	14,690
As of December 31, 2023	<u>\$594,076</u>	<u>\$140,211</u>	<u>\$227,374</u>	<u>\$70,415</u>	<u>\$3,410</u>	<u>\$98,779</u>	<u>\$23,504</u>	<u>\$1,157,769</u>
As of January 1, 2022	\$-	\$-	\$127,448	\$19,889	\$1,847	\$26,405	\$2,814	\$178,403
Additions	-	-	3,296	5,060	-	3,720	9,231	21,307
Disposals	-	-	(17)	(2,143)	(1,161)	(1,425)	(3,466)	(8,212)
Acquisition of subsidiaries	72,454	71,626	45,046	43,470	1,541	79,280	4,087	317,504
Other changes	-	-	6,612	2,560	-	4,889	38	14,099
Loss of control	-	-	-	(594)	-	(3,150)	-	(3,744)
As of December 31, 2022 (Adjusted)	<u>\$72,454</u>	<u>\$71,626</u>	<u>\$182,385</u>	<u>\$68,242</u>	<u>\$2,227</u>	<u>\$109,719</u>	<u>\$12,704</u>	<u>\$519,357</u>
Depreciation and impairment:								
As of January 1, 2023 (Adjusted)	\$-	\$9,197	\$147,693	\$61,723	\$805	\$104,097	\$4,486	\$328,001
Depreciation	-	5,292	25,290	5,564	743	6,212	5,103	48,204
Disposals	-	-	(85,237)	(1,701)	(1,808)	(18,847)	(702)	(108,295)
Acquisition of indirect subsidiaries	-	26,642	61,912	8,037	2,206	1,085	-	99,882
Other changes	-	2,860	15,097	(13,694)	-	129	(3)	4,389
As of December 31, 2023	<u>\$-</u>	<u>\$43,991</u>	<u>\$164,755</u>	<u>\$59,929</u>	<u>\$1,946</u>	<u>\$92,676</u>	<u>\$8,884</u>	<u>\$372,181</u>
As of January 1, 2022	\$-	\$-	\$98,300	\$17,452	\$271	\$23,354	\$926	\$140,303
Depreciation	-	1,447	9,127	2,589	445	5,441	2,068	21,117
Disposals	-	-	(17)	(1,603)	(1,161)	(1,406)	(1,469)	(5,656)
Acquisition of subsidiaries	-	7,750	35,782	40,256	1,250	73,558	3,140	161,736
Other changes	-	-	4,501	3,205	-	4,806	(179)	12,333
Loss of control	-	-	-	(178)	-	(1,656)	-	(1,834)
As of December 31, 2022 (Adjusted)	<u>\$-</u>	<u>\$9,197</u>	<u>\$147,693</u>	<u>\$61,721</u>	<u>\$805</u>	<u>\$104,097</u>	<u>\$4,486</u>	<u>\$327,999</u>
Net carrying amounts as of:								
December 31, 2023	<u>\$594,076</u>	<u>\$96,220</u>	<u>\$62,619</u>	<u>\$10,486</u>	<u>\$1,464</u>	<u>\$6,103</u>	<u>\$14,620</u>	<u>\$785,588</u>
December 31, 2022 (Adjusted)	<u>\$72,454</u>	<u>\$62,429</u>	<u>\$34,692</u>	<u>\$6,521</u>	<u>\$1,422</u>	<u>\$5,622</u>	<u>\$8,218</u>	<u>\$191,358</u>

Note: Other changes included transfers, reclassifications and effect of foreign currency exchange differences.

B. Please refer to Note 8 for further details on pledged property, plant and equipment.

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(11) Intangible assets

	Trademarks	Computer software	Game Royalty	Technology of patent	Goodwill	Other intangible assets	Total
Cost:							
As of January 1, 2023 (Adjusted)	\$35,988	\$151,276	\$4,259	\$24,295	\$476,156	\$384,605	\$1,076,579
Addition-acquired separately	-	35,623	23,951	-	-	-	59,574
Deduction-derecognized	-	(3,086)	(4,259)	-	-	(1,260)	(8,605)
Acquisition of indirect subsidiaries	-	-	-	-	494,069	192,847	686,916
Other changes	-	(61)	-	-	(14)	836	761
As of December 31, 2023	<u>\$35,988</u>	<u>\$183,752</u>	<u>\$23,951</u>	<u>\$24,295</u>	<u>\$970,211</u>	<u>\$577,028</u>	<u>\$1,815,225</u>
As of January 1, 2022	\$35,988	\$19,275	\$9,063	\$17,490	\$125,388	\$30,281	\$237,485
Addition-acquired separately	-	14,417	4,259	-	-	21,156	39,832
Deduction-derecognized	-	(5,664)	(9,063)	-	-	(1,681)	(16,408)
Acquisition of subsidiaries	-	115,071	-	6,805	370,696	334,849	827,421
Other changes	-	8,177	-	-	5,533	-	13,710
As of December 31, 2022 (Adjusted)	<u>\$35,988</u>	<u>\$151,276</u>	<u>\$4,259</u>	<u>\$24,295</u>	<u>\$501,617</u>	<u>\$384,605</u>	<u>\$1,102,040</u>
Amortization and impairment:							
As of January 1, 2023 (Adjusted)	\$27,395	\$141,147	\$3,693	\$16,374	\$-	\$36,268	\$224,877
Amortization	-	17,128	20,199	1,951	-	38,758	78,036
Deduction-derecognized	-	(3,086)	(4,259)	-	-	-	(7,345)
Reversal of impairment	-	-	-	-	-	(3,792)	(3,792)
Other changes	-	(125)	-	-	-	-	(125)
As of December 31, 2023	<u>\$27,395</u>	<u>\$155,064</u>	<u>\$19,633</u>	<u>\$18,325</u>	<u>\$-</u>	<u>\$71,234</u>	<u>\$291,651</u>
As of January 1, 2022	\$27,395	\$17,787	\$9,063	\$12,548	\$25,461	\$1,009	\$93,263
Amortization	-	11,640	3,693	3,826	-	23,460	42,619
Impairment	-	-	-	-	-	11,884	11,884
Deduction-derecognized	-	(4,164)	(9,063)	-	-	(607)	(13,834)
Acquisition of subsidiaries	-	108,227	-	-	-	522	108,749
Other changes	-	7,657	-	-	-	-	7,657
As of December 31, 2022 (Adjusted)	<u>\$27,395</u>	<u>\$141,147</u>	<u>\$3,693</u>	<u>\$16,374</u>	<u>\$25,461</u>	<u>\$36,268</u>	<u>\$250,338</u>
Net carrying amount as of:							
December 31, 2023	<u>\$8,593</u>	<u>\$28,688</u>	<u>\$4,318</u>	<u>\$5,970</u>	<u>\$970,211</u>	<u>\$505,794</u>	<u>\$1,523,574</u>
December 31, 2022 (Adjusted)	<u>\$8,593</u>	<u>\$10,129</u>	<u>\$566</u>	<u>\$7,921</u>	<u>\$476,156</u>	<u>\$348,337</u>	<u>\$851,702</u>

Note: Other changes included reclassifications and effect of foreign currency exchange differences.

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

	For the years ended December 31,	
	2023	2022 (Adjusted)
Operating costs	\$20,924	\$3,693
Sales and marketing expenses	\$20,721	\$11,551
Administrative expense	\$32,233	\$25,114
Research and development expense	\$4,158	\$2,261

Trademark rights are conveyed for a limited term 10 years that can be renewed, the Group has the intention and ability to extend the useful life continuously. Due to no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity for intangible assets. An intangible asset with an indefinite useful life should not be amortized. However, the amortization period should be reviewed at least annually. Please refer to Note 6 (12) for details.

(12) Impairment test for goodwill and intangible asset with an indefinite useful life

For impairment testing, goodwill and intangible asset with an indefinite useful life acquired through business combinations has been allocated to 6 cash-generating units as follows:

- A. Power distribution machinery manufacturing unit
- B. Electronic parts and components unit
- C. Network application unit
- D. Electronic products unit
- E. Third-party payment unit
- F. Others unit

Carrying amount of goodwill and intangible asset with an indefinite useful life allocated to each cash-generating unit:

	As of December 31,			
	2023		2022 (Adjusted)	
	Trademark	Goodwill	Trademark	Goodwill
Power distribution machinery manufacturing unit	\$-	\$494,069	\$-	\$-
Electronic parts and components unit	-	147,718	-	147,718
Network application unit	-	140,169	-	140,183
Electronic products unit	-	97,215	-	97,215
Third-party payment unit	-	88,328	-	88,328
Others unit	8,593	2,712	8,593	2,712
Total	\$8,593	\$970,211	\$8,593	\$476,156

Cash-generating unit of power distribution machinery manufacturing

The goodwill of power distribution machinery manufacturing unit was acquired through the combination of San Jiang Electric MFG. Co., Ltd. by Uniplus Electronics Co., Ltd. in 2023. The recoverable amount of electrical machinery manufacturing cash generating unit was determined based on the value in use which is calculated according to the forecasted cash flow in five-year-financial budget approved by the management. The gross profit margin is forecasted by the management with reference to historical gross profit margins. The calculation of discount rate is based on the specific circumstances of the Group and its operating segments, derived from its weighted average cost of capital (WACC). For the forecasts of cash flow used in 2023, the post-tax discount rate was 10.50%. Cash flows beyond the five-year period were extrapolated at a growth rate of 1% in 2023, which approximated the long-term average growth rate of the relevant industry. Based on the above key assumptions, the calculation of recoverable amount and the carrying amount of assets and goodwill allocated to the cash-generating unit for operational use as of the assessment date are compared. Management believes that there was no impairment of goodwill allocated to this cash-generating unit for the year ended December 31, 2023.

Cash-generating unit of electronic parts and components

The goodwill of electronic parts and components unit was acquired through the combination of Chander Electronics Corp. and its subsidiaries in April 2022. The recoverable amounts as of December 31, 2023 and 2022 have been determined based on the fair value less costs to sell, and the fair value was assessed based on market approach. Based on the abovementioned analysis, the management assessed that the goodwill was not impaired as of December 31, 2023 and 2022.

Cash-generating unit of network application

The goodwill of network application unit was acquired through the combination of Array Inc. and its subsidiaries in April 2022. The recoverable amounts as of December 31, 2023 and 2022 have been determined based on the fair value less costs to sell, and the fair value was assessed based on market approach. Based on the abovementioned analysis, the management assessed that the goodwill was not impaired as of December 31, 2023 and 2022.

Cash-generating unit of electronic products

The goodwill of electronic products unit was acquired through the combination of Uniplus Electronics Co., Ltd. and its subsidiary, Hang Zheng Technology Co., Ltd., in 2021. The recoverable amounts as of December 31, 2023 and 2022 have been determined based on the fair value less costs to sell, and the fair value was assessed based on market approach. Based on the abovementioned analysis, the management assessed that the goodwill was not impaired as of December 31, 2023 and 2022.

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Cash-generating unit of third-party payment

The recoverable amount of third-party payment unit was determined based on the value in use which is calculated according to the forecasted cash flow in five-year-financial budget approved by the management. The forecasted cash flow was updated to inflect the changes of the demands for the related products. The after-tax discount rates of the forecasted cash flow in 2023 and 2022 were 15.18% and 14.3%, respectively, with the growth rate of the cash flow in the period more than 5 years in 2023 was 1%. The growth rate is equivalent to the long-term growth rate of the industry. Based on the abovementioned analysis, the management assessed that the goodwill allocated to the cash-generating unit was not impaired.

Cash-generating unit of others

The recoverable amount of others unit was determined based on the value in use which is calculated according to the forecasted cash flow in five-year-financial budget approved by the management. The gross profit margin used in the forecasts of cash flow is based on the average gross profit margin achieved prior to the commencement of the financial budget period, and it is expected to increase during the budget period due to efficiency improvement, and the forecasted cash flow was updated to reflect the changes of the demands for the related products. The calculation of discount rate is based on the specific circumstances of the Group and its operating segments, derived from its weighted average cost of capital (WACC). For the forecasts of cash flow used for the years ended December 31, 2023 and 2022, the post-tax discount rates were 11.73% and 12.80%, respectively. Based on the abovementioned analysis, the management assessed that the impairment losses of trademark right were both NT\$0 for the years ended December 31, 2023 and 2022.

(13) Short-term borrowings

Details of short-term loans are as follows:

	As of December 31, 2023			
	Currency	Interest Rate	Expiration date	Amount
Secured bank loan	NTD	2.38%~3.40%	2023.8~2024.9	\$357,420
Unsecured bank loan	NTD	2.29%~8.50%	2023.11~2024.7	686,249
Total				<u>\$1,043,669</u>

	As of December 31, 2022			
	Currency	Interest Rate	Expiration date	Amount
Secured bank loan	NTD	2.06%~2.60%	2023.9~2023.12	<u>\$441,181</u>

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The Group's unused short-term line of credit amounted to NT\$328,186 thousand and NT\$688,343 thousand as of December 31, 2023 and 2022, respectively.

Please refer to Note 8 for further details on pledged short-term bank loans.

(14)Accounts payable

	As of December 31,	
	2023	2022
Accounts payable	\$561,340	\$186,745

The Group has established the financial risk management policy to ensure that all payables are settled within the predetermined credit terms.

(15)Other payables

	As of December 31,	
	2023	2022
Contingent consideration payable for acquisition of equity interests (Note)	\$500,000	\$-
Salary payable	83,788	134,673
Royalties payable	29,366	47,034
Other accrued expenses	132,837	115,309
Total	\$745,991	\$297,016

Note: Please refer to Note 6 (28) for further details on contingent consideration payable for acquisition of equity interests.

(16)Other current liabilities

	As of December 31,	
	2023	2022
Receipts under custody from third-party payment	\$207,492	\$223,463
Others	24,997	30,265
Total	\$232,489	\$253,728

The Group's receipts under custody from third-party payment are receipts from members' transactions.

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(17) Long-term borrowings

A. Details are as follows:

	As of December 31, 2023			
	Currency	Interest Rate	Expiration date	Amount
Secured bank loan	NTD	2.40%~3.95%	2024.11~2027.4	\$690,340
Unsecured bank loan	NTD	2.62%~2.82%	2026.5~2026.8	61,264
Other unsecured loan	NTD	5.10%	2026.3	13,932
Subtotal				765,536
Less: current portion				(228,860)
Total				<u>\$536,676</u>

	As of December 31, 2022			
	Currency	Interest Rate	Expiration date	Amount
Secured bank loan	NTD	2.03%~3.58%	2023.5~2027.4	\$234,528
Unsecured bank loan	NTD	2.52%	2023.6	4,279
Other unsecured loan	NTD	5.06%	2025.4	19,444
Subtotal				258,251
Less: current portion				(123,162)
Total				<u>\$135,089</u>

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

(18) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, and the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employee's monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts. In addition, the employees of Changsha Zecheng Technology Co., Ltd. in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

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Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 are NT\$19,236 thousand and NT\$11,995 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the regulations for revenues, expenditures, safeguard and utilization of the labor retirement fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$524 thousand to its defined benefit plan during the 12 months after December 31, 2023.

The weighted-average durations of the defined benefits plan obligation were 9 years and 10 years as of December 31, 2023 and 2022, respectively.

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Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

	For the years ended	
	December 31,	
	2023	2022
Current period service costs	\$-	\$39
Interest income or expense	42	118
Total	<u>\$42</u>	<u>\$157</u>

Reconciliation of present value of the pension obligation under defined benefit pension plans and fair value of the plan assets are as follows:

	As of		
	December 31, 2023	December 31, 2022	January 1, 2022
Present value of the pension obligation under defined benefit pension plans	\$24,065	\$29,145	\$30,348
Fair value of plan assets	<u>(22,271)</u>	<u>(22,643)</u>	<u>(13,444)</u>
Net defined benefit liabilities, noncurrent	<u>\$1,794</u>	<u>\$6,502</u>	<u>\$16,904</u>

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

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability /(asset)
As of January 1, 2022	\$30,348	\$(13,444)	\$16,904
Current period service costs	39	-	39
Net interest expense (income)	213	(95)	118
Subtotal	252	(95)	157
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(1,662)	-	(1,662)
Experience adjustments	207	(603)	(396)
Remeasurements of the defined benefit asset	-	(510)	(510)
Subtotal	(1,455)	(1,113)	(2,568)
Payments from the plan	-	-	-
Contributions by employer	-	(7,991)	(7,991)

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	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability /(asset)
As of December 31, 2022	29,145	(22,643)	6,502
Current period service costs	-	-	-
Net interest expense (income)	513	(471)	42
Subtotal	513	(471)	42
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	186	-	186
Experience adjustments	(467)	(24)	(491)
Remeasurements of the defined benefit asset	-	(121)	(121)
Subtotal	(281)	(145)	(426)
Payments from the plan	(16,185)	16,185	-
Contributions by employer	-	(914)	(914)
Acquisition of subsidiaries	10,873	(14,283)	(3,410)
As of December 31, 2023	<u>\$24,065</u>	<u>\$(22,271)</u>	<u>\$1,794</u>

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

	As of December 31,	
	2023	2022
Discount rate	1.20%-1.25%	1.25%-3.00%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis:

	2023		2022	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	\$-	\$(561)	\$-	\$(663)
Discount rate decrease by 0.25%	580	-	685	-
Future salary increase by 0.25%	863	-	856	-
Future salary decrease by 0.25%	-	(788)	-	(808)

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

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

(19) Equities

A. Common stock

The Company's authorized capital were both NT\$1,300,000 thousand, and issued capital were NT\$1,038,836 thousand and NT\$852,630 thousand with 103,884 thousand shares and 85,263 thousand shares as of December 31, 2023 and 2022, respectively, each at a par value of NT\$10. Each share has one voting right and a right to receive dividends.

The shareholders' meeting held on May 27, 2022 approved the issuance of 19,676 thousand shares of common stock from unappropriated retained earnings for 2021 in the amount of NT\$196,761 thousand, at a par value of NT\$10 per share. The base date for capital increase was September 19, 2022, and the registration was completed.

The shareholders' meeting held on June 26, 2023 approved the issuance of 16,951 thousand shares of common stock from unappropriated retained earnings in the amount of NT\$169,506 thousand, at a par value of NT\$10 per share. The base date for capital increase was September 3, 2023, and the registration was completed.

On August 11, 2023, the Board of Directors of the Company resolved to issue 1,670 thousand restricted employee stock, at a par value of NT\$10 per share, totaling NT\$16,700 thousand. This capital increase plan was approved for effective registration by the competent authority on July 31, 2023. The capital increase date was set as August 11, 2023. The addition in capital was approved and registered by the competent authority on September 1, 2023.

B. Capital surplus

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Additional Paid-in Capital	\$167,137	\$112,360
Restricted employee stock	54,776	-
Difference between consideration and carrying amount of subsidiaries acquired	20,741	2,532
Treasury shares	11,104	4,227
Share of changes in net assets of associates and joint ventures accounted for using equity method	9,303	39,221
Total	<u>\$263,061</u>	<u>\$158,340</u>

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According to the Company Act, the capital reserve shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the per value of capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares.

C. Treasury Stocks

On December 13, 2022, the Board of Directors meeting resolved to repurchase treasury stocks. 510 shares were repurchased in the amount of NT\$31,225 thousand from December 14, 2022 to February 13, 2023. The actual number of shares repurchased was less than the expected 1,000 thousand shares, due to the protection of shareholders' interest and the consideration of market mechanisms. This adjustment in the repurchase strategy was influenced by the changes in market price and trading volume.

The details of the carrying amounts and the number of shares held by the Company and its subsidiaries were as follows:

	<u>Amount (in thousand NT\$)</u>	
	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
The Company	\$31,225	\$6,943
Uniplus Electronics Co., Ltd.	89,636	70,443
Chander Electronics Corp.	10,677	12,942
Toptrend Technologies Corp.	11,910	11,519
Total	<u>\$143,448</u>	<u>\$101,847</u>

	<u>Number of shares</u>	
	<u>(in thousands)</u>	
	<u>As of December 31,</u>	
<u>2023</u>	<u>2022</u>	
The Company	510	124
Uniplus Electronics Co., Ltd.	6,370	5,326
Chander Electronics Corp.	623	621
Toptrend Technologies Corp.	821	686
Total	<u>8,324</u>	<u>6,757</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

D. Retained earnings and dividend policies

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

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

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

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

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

Details of the 2022 and 2021 earnings distribution and dividends per share approved by the Board of Directors and the shareholder's meeting held on June 26, 2023 and May 27, 2022, respectively, were as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2022	2021	2022	2021
Legal reserve appropriated	\$47,063	\$75,662		
Special reserve reversed	(101,732)	(43,142)		
Cash dividend on common stock	127,130	196,761	\$1.47	\$3
Share dividend on common stock	169,506	196,761	1.96	3

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The appropriation of 2023 unappropriated retained earnings has not yet been resolved by the Board of Directors as of the reporting date.

Please refer to Note 6 (23) for details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	As of December 31,	
	2023	2022 (Adjusted)
Beginning balance	\$1,291,481	\$505,275
Loss attributable to non-controlling interests	(44,868)	(66,407)
Other comprehensive income attributable to non-controlling interests	2,206	15,415
Acquisition of equity interests of subsidiaries	122,583	1,095,484
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	40,855	(32,229)
Receipt of parent company's cash dividends	3,329	8,064
Difference between consideration and carrying amount of subsidiaries acquired	2,774	(18,377)
Disposal of parent company's stocks by subsidiaries recognized as treasury share transactions	19,403	-
Acquisition of parent company's stocks by subsidiaries recognized as treasury shares	-	(169,586)
Acquisition of shares of non-controlling interests	-	(46,158)
Ending balance	<u>\$1,437,763</u>	<u>\$1,291,481</u>

(20) Share-based payment plans

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

(A) The Company's restricted stock plan for employees

On June 26, 2023, the shareholders' meeting of the Company resolved to issue 2,500 thousand restricted stocks in installments, applicable to issue in one tranche or in installments within two years from the resolution date. Each share shall be issued at a par value of NT\$0, provided as non-cash consideration through gratuitous distribution to employees. On August 11, 2023, the Board of Directors resolved to issue 1,670 thousand restricted ordinary shares to employees, and the price per share on the grant date was NT\$75.60. The share-based payment plan was as follows:

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Type of grant	Date of grant	Offering shares	Contract period	Vesting Conditions
Restricted employee stock plan (Note 1)	August 11, 2023	1,670,000	16 months	Achievement of performance conditions (Note 2)

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

Note 2: Employees who are still employed by the Company as of the grant date of the restricted stocks for employees with grade A in the latest performance appraisal shall be entitled to 50% of the allocated shares. Employees who remain employed by the Company for 16 months from the grant date of the restricted stocks for employees with grade A in the latest performance appraisal as of the grant date shall be entitled to the remaining 50% of the allocated shares.

As of December 31, 2023, since the employees have not yet met the vesting conditions, the balance of unearned compensation accounted for the deduction of equity was NT\$44,714 thousand, which would be recognized as salary expenses in future vesting period.

(B) The subsidiary- Share-based payment plan of Array Inc.

Array Inc. did not issue any employee share options for the years ended December 31, 2023 and 2022. Information on employee share options was as follows:

	For the years ended December 31,			
	2023		2022	
	Number of Exercisable Options (In Thousands)	Weighted-average Exercise Price (US\$)	Number of Exercisable Options (In Thousands)	Weighted-average Exercise Price (US\$)
Balance at January 1	2,348	\$0.33	2,858	\$0.35
Options expired	(47)	0.39	(498)	0.43
Options exercised	(408)	0.34	(12)	0.32
Balance at December 31	<u>1,893</u>	0.31	<u>2,348</u>	0.33
Options exercisable, end of year	<u>1,057</u>		<u>942</u>	

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(C) The subsidiary- Share-based payment plan of Zentry Security Inc.

Qualified employees of the Company's subsidiary, Zentry, were granted 1,895 thousand options in 2022. Each option entitles the holder with the right to subscribe for one ordinary share of Zentry. The options granted are valid for 10 years. 25% of the optioned shares shall vest on the first anniversary of the vesting commencement date, and 1/48 of the optioned shares shall vest each month thereafter. The exercise price is US\$0.06 per option. Information on employee share options was as follows:

	For the years ended December 31,			
	2023		2022	
	Subscribed of common stock (In Thousands)	Weighted- average Exercise Price (US\$)	Subscribed of common stock (In Thousands)	Weighted- average Exercise Price (US\$)
Balance at January 1	-	\$-	1,846	\$0.06
Options granted	-	-	2,379	0.06
Options exercised	-	-	(51)	0.06
Options expired			(4,174)	0.06
Balance at December 31	-	-	-	0.06
Options exercisable, end of year	-	-	-	

Options granted in 2022 priced using the Black-Scholes pricing model, and the inputs to the model as follows:

Grant-date share price	US\$ 0.06
Exercise price	US\$ 0.06
Expected volatility	63.8%
Expected life (in years)	5
Expected dividend yield	-
Risk-free interest rate	0.26%

(D) The subsidiary- Share-based payment of Chander Electronics Corp.

The Board of Directors' meeting on 8 May 2023, Chander Electronics Corp. decided to award 2,500 thousand new shares of restricted stock to those full-time employees who meet Chander Electronics Corp.'s requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C..

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B. The expenses recognized for employee services received for the years ended December 31, 2023 and 2022, are shown in the following table:

	For the years ended December 31,	
	2023	2022
Total expense arising from equity-settled share-based payment transactions	\$82,855	\$815

(21) Operating revenue

	For the years ended December 31,	
	2023	2022
Revenue from contracts with customers		
Sale of goods	\$2,159,194	\$1,437,441
Rendering of service	1,109,601	819,146
Less: sales returns and allowances	(6,614)	(4,453)
Total	\$3,262,181	\$2,252,134

Analysis of revenue from contracts with customers for the years ended December 31, 2023 and 2022 are as follows:

A. Disaggregation of revenue

For the year ended December 31, 2023

	Operating Department	Electronic Products Department	Electronic Parts and components Department	Network Application Department	Third-party Payment Department	Power	Others	Total
						Distribution Machinery Manufacturing Department		
Sale of goods	\$38,527	\$283,622	\$693,647	\$216,094	\$2,069	\$893,692	\$25,662	\$2,153,313
Rendering of services	462,864	-	-	410,596	235,408	-	-	1,108,868
Total	\$501,391	\$283,622	\$693,647	\$626,690	\$237,477	\$893,692	\$25,662	\$3,262,181
Timing of revenue recognition:								
At a point in time	\$114,275	\$283,622	\$693,647	\$626,690	\$228,964	\$893,692	\$25,662	\$2,866,552
Over time	387,116	-	-	-	8,513	-	-	\$395,629
Total	\$501,391	\$283,622	\$693,647	\$626,690	\$237,477	\$893,692	\$25,662	\$3,262,181

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For the year ended December 31, 2022

	Electronic					Others	Total
	Electronic	Parts and	Network	Third-party			
	Operating	Products	components	Application	Payment		
Department	Department	Department	Department	Department			
Sale of goods	\$36,903	\$304,078	\$661,220	\$169,685	\$82	\$37,095	\$1,209,063
Rendering of services	481,057	-	-	228,378	333,636	-	1,043,071
Total	\$517,960	\$304,078	\$661,220	\$398,063	\$333,718	\$37,095	\$2,252,134
Timing of revenue recognition:							
At a point in time	\$188,753	\$304,078	\$661,220	\$398,063	\$333,718	\$37,095	\$1,922,927
Over time	329,207	-	-	-	-	-	329,207
Total	\$517,960	\$304,078	\$661,220	\$398,063	\$333,718	\$37,095	\$2,252,134

B. Contract balances

Net contract assets (liabilities) are as follows:

	December 31, 2023	December 31, 2022	Difference	%
Contract assets, noncurrent	\$6,495	\$3,638	\$2,857	78.53%
Contract liabilities, current	(168,052)	(175,489)	7,437	(4.24%)
Contract liabilities, noncurrent	(146,411)	(163,802)	17,391	(10.62%)

Contract assets increased by NT\$2,857 thousand from December 31, 2022 to December 31, 2023, because the new film and television licensing contracts in 2023 were entitled to collect the consideration beyond one year and recognized as non-current contract assets. In the current year, certain contract assets were reclassified to accounts receivable as the payment rights were obtained.

Contract liabilities decreased by NT\$24,828 thousand from December 31, 2022 to December 31, 2023, mainly due to the recognition of revenue totaling approximately NT\$393,181 thousand as performance obligations were satisfied, and an increase in advance receipts of approximately NT\$412 thousand in the current year.

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C. Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT\$314,463 thousand as of December 31, 2023. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one to two years.

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT\$339,291 thousand as of December 31, 2022. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one to two years.

(22) Expected credit losses (gains)

	For the years ended December 31,	
	2023	2022
Operating expenses – Expected credit losses (gains)		
Accounts receivable	\$20,380	\$4,111
Contract assets	(1,071)	8,930
Total	<u>\$19,309</u>	<u>\$13,041</u>

The credit risks of the Group's financial assets measured at amortized cost were assessed as low (same as the assessment result in the beginning of the period) as of December 31, 2023 and 2022. As the Group's trade partners are financial institutions with good credit, the loss allowance was NT\$0 thousand measured at a loss ratio of 0%.

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

A. the gross carrying amount of contract assets are NT\$6,495 thousand and NT\$3,638 thousand as of December 31, 2023 and 2022, respectively. The loss allowance amounts to NT\$0 where an expected credit loss ratio of 0% is used as of December 31, 2023.

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

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As of December 31, 2023

Group 1

	Not yet due (Note)	Overdue				Total
		<=30 days	31-60 days	61-150 days	>=151 days	
Gross carrying amount	\$121,460	\$502	\$372	\$3,509	\$16,300	\$142,143
Loss ratio	-%	-%	7.36%	16.13%	99.15%	
Lifetime expected credit losses	-	-	(28)	(566)	(16,161)	(16,755)
Subtotal	\$121,460	\$502	\$344	\$2,943	\$139	\$125,388

Group 2

	Not yet due (Note)	Overdue					Total
		<=90 days	91-180 days	181-270 days	>=271 days	>=365 days	
Gross carrying amount	\$165,282	\$1,129	\$9	\$11	\$-	\$32,581	\$199,012
Loss ratio	-%	5.41%	100%	100%	-%	100%	
Lifetime expected credit losses	-	(61)	(9)	(11)	-	(32,581)	(32,662)
Subtotal	\$165,282	\$1,068	\$-	\$-	\$-	\$-	\$166,350

Group 3

	Not yet due (Note)	Overdue				Total
		<=90 days	91-120 days	121-365 days	>=365 days	
Gross carrying amount	\$188,317	\$3,409	\$-	\$-	\$-	\$191,726
Loss ratio	-%	2%	-%	-%	-%	
Lifetime expected credit losses	-	(68)	-	-	-	(68)
Subtotal	\$188,317	\$3,341	\$-	\$-	\$-	\$191,658

Group 4

	Not yet due (Note)	Overdue				Total
		<=180 days	181-270 days	271-360 days	>=360 days	
Gross carrying amount	\$374,579	\$58,065	\$29,245	\$1,133	\$2,608	\$465,630
Loss ratio	0.12%	8.53%	4.76%	69.29%	100%	
Lifetime expected credit losses	(444)	(4,951)	(1,392)	(785)	(2,608)	(10,180)
Subtotal	\$374,135	\$53,114	\$27,853	\$348	\$-	\$455,450

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Group 5

	Not yet due (Note)	Overdue				Total
		<=90 days	91-180 days	181-270 days	>=271 days	
Gross carrying amount	\$86,934	\$-	\$-	\$-	\$-	\$86,934
Loss ratio	-%	-%	-%	-%	-%	
Lifetime expected credit losses	-	-	-	-	-	-
Subtotal	\$86,934	\$-	\$-	\$-	\$-	\$86,934
Total						\$1,025,780

As of December 31, 2022

Group 1

	Not yet due (Note)	Overdue				Total
		<=30 days	31-60 days	61-150 days	>=151 days	
Gross carrying amount	\$17,624	\$2,497	\$27	\$19,081	\$59	\$39,288
Loss ratio	-%	3.72%	100%	24.1%	99.15%	
Lifetime expected credit losses	-	(93)	(27)	(4,599)	(58)	(4,777)
Subtotal	\$17,624	\$2,404	\$-	\$14,482	\$1	\$34,511

Group 2

	Not yet due (Note)	Overdue				Total
		<=90 days	91-180 days	181-270 days	>=271 days	
Gross carrying amount	\$92,052	\$42	\$-	\$-	\$-	\$92,094
Loss ratio	-%	89.04%	-%	-%	-%	
Lifetime expected credit losses	-	(37)	-	-	-	(37)
Subtotal	\$92,052	\$5	\$-	\$-	\$-	\$92,057

Group 3

	Not yet due (Note)	Overdue				Total
		<=90 days	91-120 days	121-365 days	>=365 days	
Gross carrying amount	\$252,610	\$31,884	\$21,469	\$-	\$-	\$305,963
Loss ratio	-%	3.17%	-%	-%	-%	
Lifetime expected credit losses	-	(1,012)	-	-	-	(1,012)
Subtotal	\$252,610	\$30,872	\$21,469	\$-	\$-	\$304,951

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Group 4

	Not yet due (Note)	Overdue			Total	
		<=180 days	181-270 days	>=360 days		
Gross carrying amount	\$263,396	\$114,002	\$1,058	\$393	\$25,810	\$404,659
Loss ratio	-%	2.47%	50.00%	45.8%	100%	
Lifetime expected credit losses	-	(2,817)	(529)	(180)	(25,810)	(29,336)
Subtotal	\$263,396	\$111,185	\$529	\$213	\$-	\$375,323

Group 5

	Not yet due (Note)	Overdue				Total
		<=90 days	91-180 days	181-270 days	>=271 days	
Gross carrying amount	\$89,970	\$2	\$-	\$-	\$1,441	\$91,413
Loss ratio	-%	-%	-%	-%	100%	
Lifetime expected credit losses	-	-	-	-	(1,441)	(1,441)
Subtotal	\$89,970	\$2	\$-	\$-	\$-	\$89,972
Total						\$896,814

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

- C. the Group measures the loss allowance of its other receivable and other receivable-related parties at an amount equal to lifetime expected credit losses. As of December 31, 2023 and 2022, the Group both recognized NT\$0 thousand allowance loss.

The movement in the provision for impairment of accounts receivable and contract assets during the December 31, 2023 and 2022 are as follows:

	Contract Assets	Accounts Receivable
As of January 1, 2023	\$-	\$36,603
Reversal and write off due to receipt	(1,071)	20,380
Write off due to inability to receive	1,071	(30,486)
Acquisition of subsidiaries	-	32,581
Exchange differences	-	587
As of December 31, 2023	\$-	\$59,665
Beginning balance	\$-	\$2,166
Reversal and write off due to receipt	8,930	4,111
Write off due to inability to receive	(8,930)	(1,570)
Acquisition of subsidiaries	-	30,047
Exchange differences	-	2,015
Others	-	(166)
As of December 31, 2022	\$-	\$36,603

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

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(23) Leases

A. Group as a lessee

The Group leases various properties, including real estate (buildings), transportation equipment and other equipment. The lease terms range from 1 to 7 years.

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

(A) Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2023	2022
Buildings	\$157,584	\$124,361
Transportation equipment	10,479	7,596
Other equipment	4,312	2,067
Total	<u>\$172,375</u>	<u>\$134,024</u>

The Group's right-of-use assets increased by NT\$113,225 thousand (including the addition of NT\$86,127 thousand and the acquisition of NT\$27,098 thousand for the current period) and NT\$136,837 thousand as from January 1 to December 31, 2023 and 2022.

b. Lease liabilities

	As of December 31,	
	2023	2022
Lease liabilities	<u>\$179,093</u>	<u>\$139,933</u>
Current	\$64,867	\$51,220
Non-current	\$114,226	\$88,713

Please refer to Note 6 (24) for the interest on lease liabilities recognized for the years ended December 31, 2023 and 2022 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities.

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

Depreciation expense of right-of-use assets

	For the years ended	
	December 31,	
	2023	2022
Buildings	\$54,997	\$36,980
Transportation equipment	3,845	3,260
Other equipment	1,191	808
Total	<u>\$60,033</u>	<u>\$41,048</u>

(C) Income and costs relating to leasing activities

	For the years ended	
	December 31,	
	2023	2022
The expenses relating to short-term leases	\$12,977	\$11,700
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	2,713	240
Total	<u>\$15,690</u>	<u>\$11,940</u>

(D) Cash outflow relating to leasing activities

As of December 31, 2023 and 2022, the Group's total cash outflows for leases were amounted to NT\$79,757 thousand and NT\$60,076 thousand, respectively.

B. Group as a lessor

The Group signs operating lease contract to lend parts of leasing office and factory. Because almost all the risk and benefit of the ownership of identified assets were not transferred, the leases were classified as operating lease.

	For the years ended	
	December 31,	
	2023	2022
Rental income from operating lease		
Income relating to fixed rental	<u>\$2,299</u>	<u>\$2,916</u>

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The Group signs operating lease contract, the expected total amount of undiscounted rental payment and residual years as of December 31, 2023 and 2022 are as follows:

	As of December 31,	
	2023	2022
Within 1 year	\$1,458	\$1,353
Between 1-2 years	1,458	-
Between 3-4 years	1,458	-
Between 4-5 years	729	-
Total	<u>\$5,103</u>	<u>\$1,353</u>

(24) Summary statement of employee benefits, depreciation and amortization expense by function during the years ended December 31, 2023 and 2022:

	For the years ended December 31,					
	2023			2022 (Adjusted)		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$57,110	\$587,574	\$644,684	\$31,527	\$445,061	\$476,588
Labor and health insurance	10,911	60,115	71,026	6,482	48,373	54,855
Pension	1,658	17,620	19,278	355	11,797	12,152
Other employee benefits expense	2,342	16,444	18,786	21,462	224,335	245,797
Depreciation	20,288	87,949	108,237	5,329	56,836	62,165
Amortization	20,924	57,112	78,036	3,693	38,926	42,619

According to the Articles of Incorporation, no less than 3% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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

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Based on the profit for the year ended December 31, 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 to be 3% of profit of the current year and 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 amount to NT\$21,398 thousand and NT\$7,133 thousand, respectively. The shareholders' meeting held on June 26, 2023 resolved to distribute NT\$21,398 thousand and NT\$7,133 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2022, with no material variance with the estimated amount accrued in the financial statements for the year ended December 31, 2022.

For the year ended December 31, 2023, the Company incurred a net loss after tax, hence employees' compensation and remuneration to directors and supervisors were not estimated.

(25) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2023	2022
Interest income		
Financial assets measured at amortized cost	\$11,664	\$5,908

B. Other income

	For the years ended December 31,	
	2023	2022
Government support	\$14,835	\$-
Rental income	2,299	2,916
Other income	16,650	1,557
Total	\$33,784	\$4,473

The Group applied to the U.S. federal government for employee retention tax credits in the third quarter of 2023 and has received the subsidy of NT\$14,835 thousand.

C. Other gains and losses

	For the years ended December 31,	
	2023	2022
Gains on disposal of investments	\$38,410	\$648,250
Gains on disposal of intangible assets	30	23,709
Foreign exchange gains and losses, net	(4,653)	96,340
Evaluation loss from financial assets, net	(4,182)	(16,639)
Impairment loss from non-financial assets, net	(4,174)	(11,885)
Losses on disposal of property, plant and equipment	(3,612)	(1,977)
Others	(15,175)	(379)
Total	\$6,644	\$737,419

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

D. Finance costs

	For the years ended December 31,	
	2023	2022
Interest on borrowings from bank	\$36,259	\$11,685
Interest on lease liabilities	5,142	3,694
Total	<u>\$41,401</u>	<u>\$15,379</u>

(26) Components of other comprehensive income (loss)

For the year ended December 31, 2023:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(359)	\$-	\$(359)	\$72	\$(287)
Unrealized gains or losses from financial assets at fair value through other comprehensive income	7,307	-	7,307	-	7,307
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	2,670	-	2,670	-	2,670
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(384)	-	(384)	-	(384)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(5)	-	(5)	-	(5)
Total of other comprehensive income	<u>\$9,229</u>	<u>\$-</u>	<u>\$9,229</u>	<u>\$72</u>	<u>\$9,301</u>

For the year ended December 31, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$2,568	\$-	\$2,568	\$(427)	\$2,141
Unrealized gains or losses from financial assets at fair value through other comprehensive income	(11,286)	-	(11,286)	-	(11,286)
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	513	-	513	-	513
Items that may be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	17,223	-	17,223	-	17,223
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(15)	-	(15)	-	(15)
Total of other comprehensive income	<u>\$9,003</u>	<u>\$-</u>	<u>\$9,003</u>	<u>\$(427)</u>	<u>\$8,576</u>

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(27) Income tax

The major components of income tax expense for the years ended 31 December 2023 and 2022 are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2023	2022 (Adjusted)
Current income tax expense:		
Current income tax charge	\$105,042	\$65,503
Adjustments in respect of current income tax of prior periods	11,018	(6,555)
Deferred tax (income) expense:		
Deferred tax (income) expense relating to origination and reversal of temporary differences	(21,707)	(3,993)
Others		
Total income tax expense	<u>\$94,353</u>	<u>\$54,955</u>

A. Income tax expense recognized in other comprehensive income

	For the years ended December 31,	
	2023	2022
Deferred tax expense (income):		
Remeasurements of defined benefit plans	<u>\$(72)</u>	<u>\$427</u>

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

	For the years ended December 31,	
	2023	2022 (Adjusted)
Accounting (loss) profit before tax from continuing operations	<u>\$(285,642)</u>	<u>\$607,343</u>
Tax at the domestic rates applicable to profits in the country concerned	\$(55,633)	\$121,469
Tax adjustments for prior periods	11,018	(6,555)
Tax effect of revenues exempt from taxation	101,444	(88,337)
Tax effect of deferred tax assets/liabilities	673	(21,422)
Additional income tax on unappropriated earnings	103	17,915
Unrecognized loss carryforwards	17,062	8,367
Effect of different tax rates of entities operating in other jurisdictions	8,230	-
Overseas withholding tax	11,456	23,518
Total income tax (income) expense recognized in profit or loss	<u>\$94,353</u>	<u>\$54,955</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2023

	Beginning balance as of January 1, 2023 (Adjusted)	Recognized in profit or loss	Recognized in other comprehensive income	Effect of acquisition of subsidiaries	Ending balance as of December 31, 2023
Temporary differences					
Unrealized bad debt expense	\$809	\$2,419	\$-	\$-	\$3,228
Unrealized foreign exchange gains and losses	1,519	(1,491)	-	-	28
Investment Losses	-	14,194	-	-	14,194
Unrealized impairment loss	-	2,501	-	6,204	8,705
Gain on land revaluation	(3,551)	-	-	(38,491)	(42,042)
Fiscal and tax differences in amortization of intangible assets	(60,591)	6,895	-	(38,569)	(92,265)
Fiscal and tax differences in depreciation of fixed assets	(13,662)	1,724	-	(3,541)	(15,479)
Unrealized loss on inventory valuations	1,178	(13)	-	-	1,165
Defined benefit liability, non-current	1,798	(100)	72	-	1,770
Defined benefit asset, non-current	(2,789)	(232)	-	-	(3,021)
Others	705	3,248	-	-	3,953
Unused tax losses	7,438	(7,438)	-	-	-
Deferred tax (expense)/ income		\$21,707	\$72	\$(74,397)	
Net deferred tax assets/(liabilities)	\$ (67,146)				\$ (119,764)
Reflected in balance sheet as follows:					
Deferred tax assets	\$15,516				\$33,345
Deferred tax liabilities	\$82,662				\$153,109

For the year ended December 31, 2022 (Adjusted)

	Beginning balance as of January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Effect of acquisition of subsidiaries	Ending balance as of December 31, 2022
Temporary differences					
Unrealized bad debt expense	\$29	\$780	\$-	\$-	\$809
Unrealized foreign exchange gains and losses	976	(2,022)	-	2,565	1,519
Gain on land revaluation	-	-	-	(3,551)	(3,551)
Fiscal and tax differences in amortization of intangible assets	(6,276)	(147)	-	(54,168)	(60,591)
Fiscal and tax differences in depreciation of fixed assets	(5,710)	(70)	-	(7,882)	(13,662)
Unrealized loss on inventory valuations	1,178	-	-	-	1,178
Defined benefit liability, non-current	3,749	(1,524)	(427)	-	1,798
Defined benefit asset, non-current	(2,658)	(131)	-	-	(2,789)
Others	701	(331)	-	335	705
Unused tax losses	-	7,438	-	-	7,438
Deferred tax (expense)/ income		\$3,993	\$(427)	\$(62,701)	
Net deferred tax assets/(liabilities)	\$ (8,011)				\$ (67,146)
Reflected in balance sheet as follows:					
Deferred tax assets	\$7,217				\$15,516
Deferred tax liabilities (Adjusted)	\$15,228				\$82,662

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C. The information of the unused tax losses for the Group is as follows:

Year	Unused tax losses		Expiration year
	As of December 31,		
	2023	2022	
2012	\$-	\$9,217	2022
2013	23,777	23,777	2023
2014	31,975	31,975	2024
2015	-	-	2025
2016	35,511	40,104	2026
2017	672,598	703,780	2027
2018	57,037	48,250	2028
2019	35,425	45,543	2029
2020	198,221	179,621	2030
2021 (predicted)	94,772	72,993	2031
2022 (predicted)	100,377	53,691	2032
2023 (predicted)	170,394	-	2033
Subtotal	1,420,087	1,208,951	
Foreign subsidiaries	992,199	210,150	
Total	\$2,412,286	\$1,419,101	

D. As of December 31, 2023 and 2022, the total amount of unrecognized deferred tax assets in respect of tax losses, investment credits, foreign tax credit and capital expenditure losses in the balance sheet amounted to NT\$2,324,754 thousand and NT\$2,781,742 thousand, respectively.

The assessment of income tax returns

As of December 31, 2023, the assessment of the income tax returns of the Company and its subsidiaries in Taiwan is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2020
Subsidiary - Loftstar Interactive Entertainment Inc.	Assessed and approved up to 2021
Subsidiary - Activision Entertainment Ltd.	Assessed and approved up to 2021
Subsidiary - Gamebase Digital Media Corporation	Assessed and approved up to 2021
Subsidiary - Uniplus Electronics Co., Ltd.	Assessed and approved up to 2021
Subsidiary - Red Sunrise Co., Ltd.	Assessed and approved up to 2021
Subsidiary - Lanjing Ltd.	Assessed and approved up to 2021
Subsidiary - Jiwei Technology Ltd.	Assessed and approved up to 2021
Subsidiary - Sun Tech Co., Ltd.	Assessed and approved up to 2021
Subsidiary - Chander Electronics Corp.	Assessed and approved up to 2020
Indirect subsidiary - Green Bless Co., Ltd.	Assessed and approved up to 2021
Indirect subsidiary - Hang Zheng Technology Co., Ltd.	Assessed and approved up to 2021
Indirect subsidiary - San Jiang Electric MFG. Co., Ltd.	Assessed and approved up to 2021
Indirect subsidiary - Toptrend Technologies Corp.	Assessed and approved up to 2021

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(28) Earnings per share

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

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

	For the years ended December 31,	
	2023	2022 (Adjusted)
(A) Basic earnings (losses) per share		
Net (loss) income attributable to ordinary equity holders of the Company (in thousand NT\$)	\$(335,127)	\$618,795
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	98,735	99,877
Basic earnings (losses) per share (NT\$)	\$(3.39)	\$6.20
(B) Diluted earnings per share		
Net (loss) income attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$(335,127)	\$618,795
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	98,735	99,877
Effect of dilution:		
Employee compensation-stock (in thousands)	(Note)	81
Weighted average number of ordinary shares outstanding after dilution (in thousands)	(Note)	99,958
Weighted average outstanding ordinary shares (effects adjusted after dilution) (in thousands)	98,735	99,958
Diluted earnings (losses) per share (NT\$)	\$(3.39)	\$6.19

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

Note: For the year ended December 31, 2023, the net loss caused the potential ordinary shares into anti-dilutive.

(29) Business combinations

A. Obtain control of subsidiaries

(A) Acquisition of Uniplus Electronic Co., Ltd.

As the Company obtained the substantial controls over Uniplus Electronics Co., Ltd. in September 2021, it was consolidated as the Company's subsidiary from the control acquisition date.

The non-controlling interest was measured by the proportionate share of Uniplus Electronics Co., Ltd.'s identifiable net assets.

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The fair value of the identifiable assets and liabilities of Uniplus Electronics Co., Ltd. as at the date of acquisition are as follows:

	<u>Fair value as at the date of acquisition</u>
Cash and cash equivalents	\$282,327
Financial assets at amortized cost, current	107,080
Notes and accounts receivable	108,677
Other receivables	969
Current income tax assets	1,185
Inventories	88,748
Prepayments	31,252
Other current assets	2,032
Financial assets at fair value through other comprehensive income, non-current	77,369
Financial assets at amortized cost, non-current	3,000
Property, plant and equipment	34,159
Intangible assets	51,993
Right-of-use assets	67,358
Deferred tax assets	303
Refundable deposits	5,417
Other noncurrent assets	1,940
Notes and accounts payable	(22,813)
Other payables	(16,933)
Other payables-related parties	(100)
Current income tax liabilities	(302)
Other current liabilities	(926)
Deferred tax liabilities	(17,316)
Lease liabilities	(67,597)
Other noncurrent liabilities	(2,766)
Total net assets of Uniplus Electronics Co., Ltd. and its subsidiaries	<u>735,056</u>
Percentage of ownership	<u>34.39%</u>
Net assets attributed based on percentage of ownership	252,785
Fair value of the equity investment on the date of acquisition	<u>350,000</u>
Goodwill	<u>\$97,215</u>
Gain on disposal of investment accounted for using the equity method	
Fair Value of remaining investments	\$160,048
Less: Carrying amount of net assets on the disposal date	<u>(160,553)</u>
Gains (losses) on disposal of investments	<u>\$(505)</u>
Cash outflow of acquiring the subsidiary	
Cash consideration paid	\$350,000
Less: Balance of cash and equivalent cash acquired	<u>(282,327)</u>
Cash outflow of acquiring the subsidiary, net	<u>\$67,673</u>

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The Group had sought an independent appraisal of the assets held by Uniplus Electronics Co., Ltd. and its subsidiaries and the purchase price allocation was completed in July 2022. According to the purchase price allocation result, the fair value on the acquisition date was NT\$735,056 thousand, an increase of NT\$58,781 thousand compared to the provisional value.

(B) Acquisition of Red Sunrise Co., Ltd.

The Group acquired 5,476 thousand shares of Red Sunrise Co., Ltd. in a private placement with 55.03% shareholdings in January 2022. As the Company obtained the substantial controls over Red Sunrise Co., Ltd., it was consolidated as the Company's subsidiary from the control acquisition date.

The non-controlling interest of was measured by the proportionate share of Red Sunrise Co., Ltd.'s identifiable net assets.

The fair value of the identifiable assets and liabilities of Red Sunrise Co., Ltd. as at the date of acquisition are as follows:

	<u>Carrying amount</u>
Cash and cash equivalents	\$208,145
Notes and accounts receivable	108,438
Other receivables-related parties	577
Current income tax assets	1,457
Prepayments	4,491
Other financial assets, current	630,388
Other current assets	238
Property, plant and equipment	5,404
Intangible assets	20,743
Refundable deposits	2,838
Notes and accounts payable	(1,847)
Other payables	(14,005)
Contract liabilities, current	(9,785)
Other current liabilities	(839,764)
Deferred tax liabilities	(4,014)
Guarantee deposits	(16,365)
Total net assets of Red Sunrise Co., Ltd. and its subsidiaries	<u>96,939</u>
Non-controlling interests	<u>(8,676)</u>
Total net assets attributed to Red Sunrise Co., Ltd.	<u>88,263</u>
Percentage of ownership	<u>55.03%</u>
Net assets attributed based on percentage of ownership	48,571
Fair value of the equity investment on the date of acquisition	<u>136,899</u>
Goodwill	<u>\$88,328</u>

Cash outflow of acquiring the subsidiary

	<u>Carrying amount</u>
Cash consideration paid	\$136,899
Less: Balance of cash and equivalent cash acquired	<u>(208,145)</u>
Cash inflow of acquiring the subsidiary, net	<u>\$(71,246)</u>

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The Group had sought an independent appraisal of the assets held by Red Sunrise Co., Ltd. and its subsidiaries and the purchase price allocation was completed in December 2022. According to the purchase price allocation result, the fair value on the acquisition date was NT\$96,939 thousand, an increase of NT\$16,055 thousand compared to the provisional value.

(C) Acquisition of Chander Electronics Corp.

The Group acquired 28,181 thousand shares of Chander Electronics Corp. in a private placement with 41.04% shareholdings in April 2022. As the Company obtained the substantial controls over Chander Electronics Corp., it was consolidated as the Company's subsidiary from the control acquisition date. The non-controlling interest was measured by the proportionate share of Chander Electronics Corp.'s identifiable net assets.

The fair value of the identifiable assets and liabilities of Chander Electronics Corp. and its subsidiaries on the acquisition date are as follows:

	<u>Carrying amount</u>
Cash and cash equivalents	\$273,809
Financial assets at fair value through other comprehensive income, current	1,368
Notes and accounts receivable, net	342,660
Other receivables	4,927
Inventories	111,075
Other current assets	10,713
Other financial assets	44,151
Financial assets at fair value through other comprehensive income, non-current	29,301
Investments accounted for using the equity method	640,117
Property, plant and equipment	137,357
Right-of-use assets	2,933
Intangible assets	301,752
Deferred tax assets	4,934
Other noncurrent assets	2,868
Short-term borrowings	(282,700)
Contract liabilities, current	(41,945)
Accounts payable	(148,348)
Other payables	(48,447)
Current income tax liabilities	(5,742)
Lease liabilities, current	(1,121)
Current portion of long-term borrowings	(48,793)
Other current liabilities	(677)
Long-term borrowings	(99,525)
Deferred tax liabilities	(64,691)
Lease liabilities, non-current	(1,820)
Other noncurrent liabilities	(15)
Total net assets of Chander Electronics Corp. and its subsidiaries	<u>1,164,141</u>
Non-controlling interests	<u>(256,880)</u>
Total net assets attributed to Chander Electronics Corp.	<u>907,261</u>
Percentage of ownership	<u>41.04%</u>
Net assets attributed based on percentage of ownership	372,340
Fair value of the equity investment on the date of acquisition	<u>520,059</u>
Goodwill	<u>\$147,719</u>

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Cash outflow of acquiring the subsidiary

	Carrying amount
Cash consideration paid	\$296,487
Less: Balance of cash and equivalent cash acquired	(273,809)
Cash outflow of acquiring the subsidiary, net	<u>\$22,678</u>

The Group had sought an independent appraisal of the assets held by Chander Electronics Corp. and its subsidiaries and the purchase price allocation was completed. According to the purchase price allocation result, the fair value on the acquisition date was NT\$1,164,141 thousand, an increase of NT\$353,875 thousand compared to the provisional value.

The comparative information as of December 31, 2022 had been retrospectively adjusted to reflect the aforementioned differences. The adjusted amounts are as follows:

Increase in property, plant, and equipment	46,919
Increase in investments accounted for using the equity method	106,776
Increase in intangible assets excluding goodwill	249,970
Decrease in retained earnings	3,894
Increase in non-controlling interests	(203,526)
Decrease in goodwill	(145,230)
Increase in deferred tax liabilities	(58,803)

(D) Acquisition of Array Inc.

As the Group obtained the substantial controls over Array Inc. with additional 29.21% shares through acquiring the control of Chander Electronics Corp. in April 2022, Chander Electronics Corp. and Array Inc. were consolidated in the financial statements. The Company's subsidiary, Jiwei Technology Ltd., acquired all the shares of Array Holdings for APGFIII Fund LPs in the same month, therefore, the Group held 21,172 thousand shares of Array Inc. in a private placement, with 41.42% shareholdings. The carrying amount of assets and liabilities of Array Inc. and its subsidiaries on the acquisition date are as follow:

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	<u>Carrying amount</u>
Cash and cash equivalents	\$137,034
Financial assets at fair value through other comprehensive income, current	47,633
Financial assets at amortized cost, current	117,075
Accounts receivable-third party	211,714
Other receivables	545
Inventories	44,466
Other current assets	12,777
Property, plant and equipment	13,008
Right-of-use assets	44,610
Other intangible assets	19,946
Deferred tax assets	2,591
Other noncurrent assets	1,898
Contract liabilities, current	(119,243)
Accounts payable	(21,809)
Other payables	(50,663)
Current income tax liabilities	(2,299)
Lease liabilities, current	(12,689)
Other current liabilities	(3,789)
Contract liabilities, non-current	(126,795)
Deferred tax liabilities	(3,510)
Lease liabilities, non-current	(36,586)
Other noncurrent liabilities	(3,115)
Total net assets of Array Inc. and its subsidiaries	<u>272,799</u>
Non-controlling interests	<u>(35)</u>
Total net assets attributed to Array Inc.	<u>272,764</u>
Percentage of ownership	<u>41.42%</u>
Net assets attributed based on percentage of ownership	<u>\$112,979</u>

Array Inc. was consolidated since the Group obtained the substantial controls over Chander Electronics Corp. in April 2022, without any cash outflow.

The Group had sought an independent appraisal of the assets held by Array Inc. and its subsidiaries and the purchase price allocation was completed in 2023. According to the purchase price allocation result, the fair value on the acquisition date was NT\$272,799 thousand, an increase of NT\$14,038 thousand compared to the provisional value.

The comparative information as of December 31, 2022 had been retrospectively adjusted to reflect the aforementioned differences. The adjusted assets and differences of amounts are as follows:

Increase in intangible assets excluding goodwill	12,125
Decrease in retained earnings	1,797
Increase in non-controlling interests	(5,682)
Decrease in goodwill	(5,815)
Increase in deferred tax liabilities	(2,425)

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(E) Acquisition of San Jiang Electric MFG. Co., Ltd.

The Group acquired 11,550 ordinary shares of San Jiang Electric MFG. Co., Ltd. from its original shareholders, Mighty Firm International Ltd. and individual shareholders, on March 6, 2023. Each share had a par value of NT\$10,000 and the total amount of investment amounted to NT\$1,294,000 thousand. The Group's ownership interest after the acquisition was 76.49%. As the Group obtained majority voting rights in the shareholders' meeting and exercises control over its relevant activities, San Jiang Electric MFG. Co., Ltd. was considered a subsidiary from the acquisition date and consolidated in the financial statements from the day of gaining control.

The fair values of the identifiable assets and liabilities of San Jiang Electric MFG. Co., Ltd. as of the acquisition date are as follows:

	<u>The fair value on the day of gaining control</u>
Cash and cash equivalents	\$85,743
Notes and accounts receivable, net	176,080
Other receivables	182
Inventories, net	606,776
Prepayments	23,906
Other current assets	25
Financial assets at fair value through other comprehensive income	31
Property, plant and equipment	589,705
Right-of-use assets	26,022
Other intangible assets	192,847
Net defined benefit assets	3,418
Other non-current assets	167,606
Short-term borrowings	(559,448)
Contract liabilities	(1,563)
Notes and accounts payable	(305,944)
Other payables	(41,035)
Lease liabilities	(26,081)
Current income tax liabilities	(75)
Other current liabilities	(733)
Long-term borrowings	(45,034)
Deferred tax liabilities	(92,419)
Guarantee deposits	(78)
Total net assets of San Jiang Electric MFG. Co., Ltd.	<u>799,931</u>
Fair value of the equity investment on the date of acquisition	<u>1,294,000</u>
Goodwill	<u>\$494,069</u>

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	<u>The fair value on the day of gaining control</u>
<u>Acquisition consideration</u>	
Cash	\$794,000
Contingent consideration liabilities (recognized as other payables)	500,000
Total consideration	<u>\$1,294,000</u>
Analysis of cash flows from acquisition:	
Cash consideration paid in current year	\$794,000
Less: Balance of cash and equivalent cash acquired	<u>(85,743)</u>
Cash outflow of acquiring the subsidiary, net	<u>\$708,257</u>

The Group had sought an independent appraisal of the net assets held by San Jiang Electric MFG. Co., Ltd. and the purchase price allocation was completed. According to the purchase price allocation result, the fair value on the acquisition date was NT\$799,931 thousand, an increase of NT\$228,544 thousand compared to the provisional assessment.

Contingent consideration

The contingent consideration for the equity acquisition has been agreed upon and was included in the purchase agreement and supplementary agreements signed with the former owners of San Jiang Electric MFG. Co., Ltd. According to the agreement terms, the Group shall make additional payments to the former owners of San Jiang Electric MFG. Co., Ltd. under the following circumstances:

- (A) The financial statements of San Jiang Electric MFG. Co., Ltd. for the year ended December 31, 2022 had been audited by the auditor with an unqualified audit opinion, and the financial statements for the three month period ended March 31, 2023 had been reviewed by the auditor with an unqualified review conclusion. When the collateral agreement was reached, the Group should pay NT\$100,000 thousand, with a payment deadline no later than June 30, 2023. On July 3, 2023, the Group had already completed the payment.
- (B) During the year ended December 31, 2023, the Group obtained additional procurement contracts from Taiwan Power Company. Within 30 days of each contract acquired in 2023, payment was made based on the tender amount divided by NT\$1,300,000 thousand, multiplied by NT\$100,000 thousand. The total payment was capped at NT\$100,000 thousand. The Group completed the payments on August 30, 2023.

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- (C) During the year ended December 31, 2023, the Group performed the procurement contract with Taiwan Power Company. The total sales amount of transformer products as recorded in the allocation notice issued by Taiwan Power Company, less material costs, resulted in an actual profit of NT\$357,425 thousand for the products. When the collateral agreement was reached, the Group should pay NT\$350,000 thousand, with a payment deadline no later than June 30, 2024.
- (D) Before December 31, 2024, all major suppliers of components and materials required to produce transformers by San Jiang Electric MFG. Co., Ltd. had entered into long-term supply agreements with San Jiang Electric MFG. Co., Ltd. in writing. Furthermore, the supply terms of the major suppliers could meet the production capacity requirements of San Jiang Electric MFG. Co., Ltd. in practice. When the collateral agreement was reached, the Group paid NT\$50,000 thousand, with a payment deadline no later than December 31, 2024.
- (E) From the settlement date to March 31, 2024, no transformer products inspected by Taiwan Power Company had been or reasonably expected to be fined by Taiwan Power Company for an amount exceeding NT\$50,000 thousand. The Group will pay NT\$50,000 thousand less the fines or expected fines, with a payment capped at NT\$50,000 thousand payable no later than April 30, 2024.
- (F) During the year ended December 31, 2024, the cumulative amount of additional procurement contracts acquired from Taiwan Power Company reached NT\$500,000 thousand. The Group will pay NT\$50,000 thousand, with the payment deadline no later than December 31, 2024.

B. Equity transactions with non-controlling interests

- (A) The Company additionally acquired 680,000 shares of Red Sunrise Co., Ltd. in July 2023, paying a cash consideration of NT\$14,620 thousand to non-controlling interest shareholders. The carrying amount of net assets of Red Sunrise Co., Ltd. (initial acquisition and without goodwill) amounted to NT\$188,235 thousand. The equity in Red Sunrise Co., Ltd. acquired additionally including a decrease in non-controlling interests is as follow:

	Carrying amount
Considerations paid in cash	\$14,620
Decrease in non-controlling interests	(9,186)
Difference recognized as additional paid-in capital in equity	\$5,434

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- (B) Array Inc. acquired 100% shareholdings of Array Taiwan Inc. from Jiwei Technology Ltd. in the amount of NT\$10,000 thousand in January 2023. As the aforementioned transactions didn't change the Group's controls over the subsidiaries, the Group regarded it as an equity transaction.

	Carrying amount
Consideration paid in cash	\$(10,000)
Carrying amount of the net assets of the subsidiary	8,171
Differences between actual consideration and carrying value	<u>\$(1,829)</u>
Line items adjusted for equity transactions	
Retained earnings	<u>\$1,829</u>

- (C) The Company's subsidiary, Chander Electronics Corp, increased its interest in Toptrend Technologies Corp. by 32.52% and 27.23% in April and October 2022, respectively, and eventually increased its interest from 30% to 89.75%.

	Carrying amount
Consideration paid in cash	\$(117,643)
Consideration exchange in share	(95,258)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>227,133</u>
Difference in equity transaction	<u>\$14,232</u>
Unappropriated earnings	<u>\$14,232</u>

- (D) The Company's subsidiary, Jiwei Technology Ltd., acquired 50% shareholdings of Array Holdings for APGDIII Fund LPs from Quan Zhe Investment Co., Ltd. amounted to NT\$100,567 thousand, which contributed to 12.21% shareholdings of Array Inc. The shareholdings increased from 29.21% to 41.42%. As the aforementioned transactions didn't change the Group's controls over the subsidiaries, the Group regarded it as an equity transaction.

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	Carrying amount
Consideration paid in cash	\$(59,294)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	56,171
Differences between actual consideration and carrying value	<u>\$(3,123)</u>
Line items adjusted for equity transactions	
Unappropriated earnings	\$(3,113)
Exchange differences resulting from translating the financial statements of foreign operations	(10)
Difference in equity transaction	<u>\$(3,123)</u>

(30) Changes in subsidiaries' ownership

Acquisition of additional interest of a subsidiary

The Group acquired 150 thousand shares with voting rights issued by Seconds Media Corp. on October 4, 2023, and the Group's shareholding ratio increased from 66.67% to 100%. The cash consideration paid to non-controlling interests was NT\$500 thousand, and the carrying amount of Seconds Media Corp.'s net assets (initial acquisition and without goodwill) was NT\$1,620 thousand. The equity of Seconds Media Corp.'s equity acquired additionally, including a decrease in non-controlling interests and adjustment of accumulated other comprehensive income, are as follows:

Cash consideration paid to non-controlling interests	\$500
Decrease in non-controlling interests	(540)
Differences recognized as additional paid-in capital in equity	<u>\$(40)</u>

Sale of issued shares of a subsidiary

The Group disposed of 0.72% of the voting shares of Chander Electronics Ltd. during December 2023, decreasing the Group's shareholdings to 42.49%. The cash consideration acquired was NT\$24,461 thousand, and the carrying amount of Chander Electronics Ltd.'s net assets (initial acquisition and without goodwill) was NT\$860,714 thousand as of December 31, 2023. The equity adjustments due to the sale of Chander Electronics Ltd., including the decrease in non-controlling interests and adjustment of accumulated other comprehensive income, are as follow:

Cash consideration paid to non-controlling interests	\$(860,714)
Increase in non-controlling interests	843,486
Differences recognized as additional paid-in capital in equity	<u>\$(17,228)</u>

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Acquire subsidiaries' shares newly issued different from to the original ownership interest

A. Uniplus Electronics Co., Ltd.

Uniplus Electronics Co., Ltd. increased its capital on February 22, 2023. The Group fully subscribed to the shares, thereby increasing the shareholdings to 43.76%. The cash obtained from the capital increase was NT\$0 thousand, and the carrying amount of Uniplus Electronics Co., Ltd.'s net assets (initial acquisition without goodwill) was NT\$929,394 thousand. The equity adjustments related to Uniplus Electronics Co., Ltd. are as follows:

Cash obtained from the capital increase	\$-
Increase in non-controlling interests	(40,855)
Differences recognized as additional paid-in capital in equity	<u><u>\$(40,855)</u></u>

B. Array, Inc.

Array, Inc. increased its capital on March 30, 2023. As the Group did not proportionally acquire shares newly issued to its original ownership interest, the Group's shareholdings ratio was reduced to 36.43%. The cash obtained from the capital increase amounted to NT\$89,880 thousand, and the carrying amount of Array, Inc.'s net assets (initial acquisition without goodwill) was NT\$302,527 thousand. The equity adjustments related to Array, Inc. are as follows:

Cash obtained from the capital increase	\$89,880
Increase in non-controlling interests	(67,746)
Differences recognized as additional paid-in capital in equity and retained earnings	<u><u>\$22,134</u></u>

C. Hang Zheng Technology Co., Ltd.

Hang Zheng Technology Co., Ltd. increased its capital on August 10, 2023. As the Group did not acquire shares newly issued to its original ownership interest, the Group's interest was reduced to 55%. The cash obtained from the capital increase amounted to NT\$45,000 thousand, and the carrying amount of Hang Zheng Technology Co., Ltd.'s net assets (initial acquisition without goodwill) was NT\$92,093 thousand. The equity adjustments related to Hang Zheng Technology Co., Ltd. are as follows:

Cash obtained from the capital increase	\$45,000
Increase in non-controlling interests	(41,442)
Differences recognized as additional paid-in capital in equity	<u><u>\$3,558</u></u>

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D. Quan Zhe Metal Corp.

Quan Zhe Metal Corp. conducted a capital increase in 2023, but the Group did not subscribe in proportion to its shareholdings, resulting in the shareholding ratio deduction from 100% to 82.81%. The following summarized the effect of changes in equity of Chander Electronics Ltd. due to changes in the ownership interest of Quan Zhe Metal Corp.:

Carrying amount transferred to non-controlling interests	\$(386)
Consideration received from non-controlling interests	516
Differences recognized as additional paid-in capital in equity	<u>130</u>

Cancellation of treasury shares of a subsidiary

A. Toptrend Technologies Corp.

Toptrend Technologies Corp. cancelled its treasury shares in September 2023, increasing the Group's shareholding ratio to 94.37%. The following summarized the effect of changes in equity of Chander Electronics Ltd. due to changes in the ownership interests of Toptrend Technologies Corp.:

Increase in equity after the cancellation of treasury shares of Toptrend Technologies Corp.	\$19,509
Additional paid-in capital -recognized increase in ownership interests of Toptrend Technologies Corp.	19,509

(31) Disposal of the material assets

On July 1, 2022, the shareholders' meeting of the Company approved to dispose the material assets, the interests of Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only), and granted the Board of Directors an authorization to dispose the assets as follows:

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

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

A. Counterparty and price: CMGE Technology Group Limited, at a price of HK\$641.84 million, approximately NT\$2,312,550 thousand.

B. Broker: Hongkong Siyuan Group Limited; Broker fee: HK\$3,209.2 thousand, approximately NT\$115,627 thousand.

C. The Company has transferred the interests of Softstar Technology (Beijing) Co., Ltd. and the IP of Chinese Paladin (in Mainland China only) through Time Vision International Limited, a subsidiary of the Company. Time Vision International has disposed its subsidiary, Best Classic International Limited, to transfer 49% shareholdings of Softstar Technology (Beijing) Co., Ltd. and disposed another subsidiary, Mighty Leader Limited, to transfer the IP of Chinese Paladin (in Mainland China only). These relevant disposal procedures have been completed in the end of 2021, and all the directly related interests reclassified to groups held for sale of NT\$456,535 thousand has been derecognized. For the year ended December 31, 2022, the Group had received all the consideration.

(32) Subsidiaries with material non-controlling interests

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

Proportion of equity interests held by non-controlling interests:

Name	Country of operation	As of December 31, 2023	As of December 31, 2022
Uniplus Electronics Co., Ltd. and its subsidiaries	Taiwan	56.24%	65.61%
Chander Electronics Corp. and its subsidiaries	Taiwan	57.51%	56.79%

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

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	As of December 31, 2023	As of December 31, 2022 (Adjusted)
Accumulated balance of material non-controlling interests:		
Uniplus Electronics Co., Ltd. and its subsidiaries	\$485,482	\$358,862
Chander Electronics Corp. and its subsidiaries	\$650,152	\$680,195

	As of December 31, 2023	As of December 31, 2022 (Adjusted)
Profit (loss) allocated to material non-controlling interests:		
Uniplus Electronics Co., Ltd. and its subsidiaries	\$(110)	\$(1,990)
Chander Electronics Corp. and its subsidiaries	\$(32,975)	\$2,580

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

Summarized information of profit or loss for the year ended December 31, 2023:

	Uniplus Electronics Co., Ltd. and its subsidiaries	Chander Electronics Corp. and its subsidiaries
Operating revenue	<u>\$1,189,052</u>	<u>\$707,966</u>
Profit (loss) for current period from continuing operations	<u>13,414</u>	<u>(44,686)</u>
Total comprehensive income for current period	<u><u>\$225,473</u></u>	<u><u>\$(5,282)</u></u>

Summarized information of profit or loss for the year ended December 31, 2022:

	Uniplus Electronics Co., Ltd. and its subsidiaries	Chander Electronics Corp. and its subsidiaries
Operating revenue	<u>\$323,262</u>	<u>\$1,017,451</u>
Profit (loss) for current period from continuing operations	<u>17,325</u>	<u>(7,855)</u>
Total comprehensive income for current period	<u><u>\$92,184</u></u>	<u><u>\$25,625</u></u>

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Summarized information of assets and liabilities as of December 31, 2023:

	Uniplus Electronics Co., Ltd. and its subsidiaries	Chander Electronics Corp. and its subsidiaries
Current assets	\$1,399,739	\$485,692
Non-current assets	2,041,538	797,681
Current liabilities	1,695,215	332,540
Non-current liabilities	468,545	67,067

Summarized information of assets and liabilities as of December 31, 2022:

	Uniplus Electronics Co., Ltd. and its subsidiaries	Chander Electronics Corp. and its subsidiaries
Current assets	\$486,519	\$698,403
Non-current assets	399,682	773,708
Current liabilities	40,281	462,769
Non-current liabilities	33,876	113,547

Summarized cash flow information for the year ended December 31, 2023:

	Uniplus Electronics Co., Ltd. and its subsidiaries	Chander Electronics Corp. and its subsidiaries
Operating activities	\$(21,827)	\$(11,640)
Investing activities	(723,694)	(11,045)
Financing activities	693,952	(89,526)
Effect of exchange rate	-	10
Net decrease in cash and cash equivalents	(51,569)	(112,201)

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Summarized cash flow information for the year ended December 31, 2022:

	Uniplus Electronics Co., Ltd. and its subsidiaries	Chander Electronics Corp. and its subsidiaries
Operating activities	\$67,846	\$(63,079)
Investing activities	(128,841)	117,889
Financing activities	(14,205)	81,748
Effect of exchange rate	-	718
Net (decrease) increase in cash and cash equivalents	(75,200)	137,276

7. Related party transactions

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

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Global Angel Investments Limited	The chairman of the Group is the chairman of this company
Bacchus Wine Group Co., Ltd.	The chairman of the Group is the chairman of this company
Care & Love Wine Co., Ltd.	The chairman of the Group is the chairman of this company
A.R.T. Games Co., Ltd.	Associate
Double Edge Entertainment Corp.	Associate
Niusnews Co., Ltd.	Associate
Heshan Ltd.	The juridical director of the Group's subsidiary
Jiangsu Dingmao Amorphous Technology Inc. (Note)	The general manager of the Group's sub-subsidiary is the chairman of this company
Mr. Jiun-Kuang, Tu	Chairman
Mr. Jiun-Rung, Tu	The chairman of the Group's subsidiary
Mr. Bau-Lin, Lu	The chairman of the Group's subsidiary
Mr. Yuan-Kai, Wang	The chairman of the Group's sub-subsidiary
Galaxy Power Holdings Limited	Other related parties
Starlight Gaming India Private Limited	Other related parties

Note: Since the acquisition date in March 2023, San Jiang Electric MFG. Co., Ltd. had been included in the consolidated entities, therefore, Jiangsu Dingmao Amorphous Technology Inc. was considered as other related party of the Group.

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Significant transactions with the related parties

(1) Sales

	For the years ended	
	December 31,	
	2023	2022
Sale of goods		
Other related parties		
Care & Love Wine Co., Ltd.	\$8,393	\$12,093
Bacchus Wine Group Co., Ltd.	1,493	8,594
Associates		
Niusnews Co., Ltd.	63	766
Rendering of services		
Other related parties		
Galaxy Power Holdings Limited	2,248	534
Bacchus Wine Group Co., Ltd.	625	1,307
Care & Love Wine Co., Ltd.	-	450
Total	<u>\$12,822</u>	<u>\$23,744</u>

The sales terms of the above related parties were determined through mutual agreement. The collection period from sales to the related party customers are 30~60 days, which is not significantly different from that with unrelated parties.

(2) Purchases

	For the years ended	
	December 31,	
	2023	2022
Other related parties		
Jiangsu Dingmao Amorphous Technology Inc.	\$66,350	\$-
Bacchus Wine Group Co., Ltd.	13,257	22,007
Galaxy Power Holdings Limited	527	148
Associates		
Double Edge Entertainment Corp.	270	444
Niusnews Co., Ltd.	300	-
Total	<u>\$80,704</u>	<u>\$22,599</u>

The purchase price and collection terms to related parties are similar to those to third party customers for the purchase between the Group and related parties.

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(3) Operating cost

	For the years ended	
	December 31,	
	2023	2022
Other related parties		
Starlight Gaming India Private Limited (Note)	\$16,921	\$-
Global Angel Investments Limited	4,596	2,834
Bacchus Wine Group Co., Ltd.	1,639	3,013
Mr. Bau-Lin, Lu	1,200	-
Heshan Ltd.	1,143	-
Care & Love Wine Co., Ltd.	406	385
Total	<u>\$25,905</u>	<u>\$6,232</u>

Note: It was the transaction between Softstar Entertainment Inc. and Starlight Gaming India Private Limited before Starlight Gaming India Private Limited was consolidated.

(4) Other operating cost

	For the years ended	
	December 31,	
	2023	2022
Associates		
Niusnews Co., Ltd.	\$-	\$185

(5) Accounts receivable-related parties

	As of December 31,	
	2023	2022
Other related parties		
Bacchus Wine Group Co., Ltd.	\$4,970	\$7,509
Galaxy Power Holdings Limited	1,577	-
Care & Love Wine Co., Ltd.	826	3,939
Associates		
Niusnews Co., Ltd.	-	-
Total	<u>\$7,373</u>	<u>\$11,448</u>

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(6) Notes receivable-related parties

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Associates		
Niusnews Co., Ltd.	<u>\$</u>	<u>\$804</u>

(7) Other receivable-related parties

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Associates		
Niusnews Co., Ltd.	<u>\$763</u>	<u>\$106</u>

(8) Prepayments

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Other related parties		
Galaxy Power Holdings Limited	\$14,244	\$14,286
Global Angel Investments Limited	435	165
Bacchus Wine Group Co., Ltd.	100	-
Others	-	-
Associates		
Double Edge Entertainment Corp.	904	1,079
A.R.T. Games Co., Ltd.	-	7,619
Total	<u>\$15,683</u>	<u>\$23,149</u>

Prepayment-related parties relates to prepayments for game royalties and technical service expenses.

(9) Refundable deposits

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Other related parties		
Global Angel Investments Limited	<u>\$1,839</u>	<u>\$1,485</u>

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(10) Other payables-related parties

	As of December 31,	
	2023	2022
Other related parties		
Heshan Ltd.	\$100	\$100
Mr. Bau-Lin, Lu	88	-
Associates		
Niusnews Co., Ltd.	-	300
Bacchus Wine Group Co., Ltd.	-	229
Care & Love Wine Co., Ltd.	-	176
Total	<u>\$188</u>	<u>\$805</u>

(11) Property transactions

The Company sold property, plant, and equipment to related parties, and the amounts are as follows:

	As of December 31,	
	2023	2022
Other related parties		
Bacchus Wine Group Co., Ltd.	<u>\$26</u>	<u>\$-</u>

(12) Lease-related parties

A. Right-of-use assets

	As of December 31,	
	2023	2022
Other related parties		
Global Angel Investments Limited	<u>\$5,736</u>	<u>7,548</u>

B. Lease liabilities

	As of December 31,	
	2023	2022
Other related parties		
Global Angel Investments Limited		
Lease liabilities, current	\$1,819	\$1,795
Lease liabilities, non-current	4,028	5,847
Total	<u>\$5,847</u>	<u>\$7,642</u>

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C. Interest expenses

	For the years ended	
	December 31,	
	2023	2022
Other related parties		
Bacchus Wine Group Co., Ltd.	\$278	\$-
Global Angel Investments Limited	91	\$115
Total	<u>\$369</u>	<u>\$115</u>

D. For the years ended December 31, 2023 and 2022, the Group's rental payments for leasing the offices from other related parties were paid monthly through remittance or checks. For the years ended December 31, 2023 and 2022, the amounts were paid NT\$7,536 thousand and NT\$3,772 thousand, respectively.

(13) As of December 31, 2023, the Group obtained financing from financial institutions which were endorsed and guaranteed by other related parties (Mr. Jiun-Kuang, Tu, Mr. Jiun-Rung, Tu and Mr. Yuan-Kai, Wang).

(14) On October 4, 2023, the Group acquired 33.33% of the voting shares of Seconds Media Corp. from Niusnews Co., Ltd. in the amount of NT\$500 thousand, resulting in an increase in the shareholdings to 100%.

(15) In the three-month period ended March 31, 2023, the Group acquired JiangFu Enterprise Co., Ltd. from individual shareholders, including Jiang, Jia-Shi, Jiang, Man-Shi, and other individual shareholders for NT\$6,000 thousand, resulting in 100% shareholdings.

(16) Key management personnel compensation

	For the years ended	
	December 31,	
	2023	2022
Short-term employee benefits	\$77,395	\$72,240
Post-employment benefits	905	640
Other long-term benefits	1,800	912
Share-based payment	538	232
Total	<u>\$80,638</u>	<u>\$74,024</u>

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8. Assets pledged as security

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

Items	Carrying amount		Secured liabilities
	December 31, 2023	December 31, 2022	
Other financial assets, current	\$110,077	\$154,249	Short-term borrowings and current portion of long-term borrowings, collateral for letter of credit and customs duty guarantee
Other financial assets, non-current	205,166	23,345	Long-term borrowings, collateral for letter of credit, customs duty guarantee, bank credits and merchant services and performance bond
Land and buildings	586,459	87,963	Long-term and short-term borrowings secured by land and buildings
Shares of subsidiary Toptrend Technologies Corp.	385,328	355,908	Long-term borrowings
Shares of subsidiary Chander Electronics Corp.	74,084	-	Short-term borrowings
Shares of associate Neweb Technologies Co., Ltd.	449,573	332,919	Long-term borrowings
Total	<u>\$1,810,687</u>	<u>\$954,384</u>	

- (a) Uniplus Electronics Co., Ltd. pledged 5,326 thousand ordinary shares of the Company as equity collateral for long-term borrowings.
- (b) Array Networks, Inc. (Array US) obtained borrowings from Cathay Bank. According to the provisions of the Uniform Commercial Code of the United States, the creditor has priority security rights over the entire assets of the borrower.

9. Commitments and contingencies

- (1) As of December 31, 2023, amounts available under unused letters of credit of the Group were NT\$70,435 thousand.

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- (2) On September 28, 2022, Uniplus Electronics Co., Ltd. signed the agreement of limited partnership with Outstanding Capital Limited Partnership and promised to invest NT\$30,000 thousand. As of December 31, 2023, the accumulated investment amount was NT\$9,000 thousand and accounted for financial assets at fair value through profit or loss.
- (3) As of December 31, 2023, San Jiang Electric MFG. Co., Ltd. issued bank guarantee notes for material purchases in the amount of NT\$74,988 thousand.
- (4) In response to the content reported by Mirror Weekly (i.e. "Mirror Media Inc.") in February 2023, "The manufacturer surrendered to huge fake transactions, Chander Electronics Corp. was involved in false financial reports," Chander Electronics Corp. recognized that it was obviously inconsistent with the facts, and therefore filed a lawsuit against Mirror Weekly in Taiwan Taipei District Court for civil tort damages, seeking compensation of NT\$5,000 thousand from Mirror Weekly and related parties. It also requested the court to order Mirror Weekly to remove the false reports and publish a correction notice. As of December 31, 2023, this case was still under trial in the Court.

10. Loss due to major disasters

None.

11. Significant subsequent events

- (1) On January 23, 2024, the Board of Directors of the Company approved the capital increase by cash of Zhu International Group Inc., with NT\$10 per share and a total of 15,000 thousand ordinary shares, in the amount of NT\$150,000 thousand. The Company subscribed to a total of 10,000 thousand ordinary shares, in the amount of NT\$100,000 thousand, reducing its ownership from 100% to 66.88%.
- (2) The Company had applied to the Financial Supervisory Commission for a capital increase of 5,200 thousand new shares issuance by cash at a par value of NT\$10, as well as the issuance of the second domestic unsecured convertible corporate bonds, each with a face value of NT\$100,000, the maximum number of bonds to be issued was 3,000, and the total maximum face value of the issuance was NT\$300,000 thousand. The issuance would be at 100% to 101% of the face value, subject to approval of the competent authority.
- (3) On January 23, 2024, the Board of Directors of Uniplus Electronics Co., Ltd. resolved to issue restricted stocks of 4,050,000 shares to the employees, with a par value of NT\$0 per share, meaning to distribute the shares to employees without consideration. The capital increase base date was set on January 23, 2024.

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- (4) On January 24, 2024, the Board of Directors of Red Sunrise Co., Ltd. resolved the capital increase by cash, at the price of NT\$14 per share and a total of 1,500 thousand ordinary shares, in the amount of NT\$21,000 thousand. This issuance reserved 15% for preemptive subscription by employees in accordance with the Company Act, and the remaining 85% was subscribed by original shareholders proportionately. The capital increase base date was set on February 21, 2024.

12. Others

(1) Categories of financial instruments

<u>Financial assets</u>	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets at fair value through profit or loss	\$68,032	\$47,467
Financial assets at fair value through other comprehensive income	122,299	69,519
Financial assets measured at amortized cost		
Cash and cash equivalents (except for cash on hand)	842,412	1,589,062
Notes receivable	7,834	11,506
Notes receivable-related parties	-	804
Accounts receivable	1,010,573	873,506
Accounts receivable-related parties	7,373	11,448
Other receivables	30,917	8,263
Other receivables-related parties	763	106
Other financial assets, current	311,687	392,179
Refundable deposits	30,469	24,517
Other financial assets, non-current	205,166	23,345
Total	<u>\$2,637,525</u>	<u>\$3,051,722</u>

<u>Financial liabilities</u>	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial liabilities at amortized cost:		
Short-term borrowings	\$1,043,669	\$441,181
Notes payable	24,885	4,975
Accounts payable	561,340	186,745
Accounts payable-related parties	-	-
Other payables	745,991	297,016
Other payables-related parties	188	805
Long-term borrowings (including current portion)	765,536	258,251
Lease liabilities	179,093	139,933
Guarantee deposits	26,164	23,486
Total	<u>\$3,346,866</u>	<u>\$1,352,392</u>

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

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- A. When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$2,619 thousand and NT\$8,433 thousand, respectively.
- B. When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$292 thousand and NT\$723 thousand, respectively.
- C. When NTD strengthens/weakens against JPY by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$5 thousand and NT\$39 thousand, respectively.

Interest rate risk

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

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

The sensitivity analysis of the interest rate risk pertains primarily to the interest rate exposure items at the end of financial statement reporting period, including borrowings with floating rate. Assuming holding in a whole fiscal year, an increase/ decrease of 10% in interest rate, the profit for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$1,282 thousand and NT\$638 thousand, respectively.

Equity price risk

The fair value of the Group's listed and unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions. An increase/decrease of 10% in the price of the listed companies' stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$1,004 thousand and NT\$948 thousand on the equity attributable to the Group for the years ended December 31, 2023 and 2022, respectively.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

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

As of December 31, 2023 and 2022, contract assets and accounts receivable from top ten customers represent 64.52% and 40.61% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivable is relatively insignificant.

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

(5) Liquidity risk management

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

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Non-derivative financial liabilities

	Less than				
	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2023					
Accounts payable					
(including other payables)	\$1,332,504	\$-	\$-	\$-	\$1,332,504
Short-term borrowings	1,079,928	-	-	-	1,079,928
Long-term borrowings					
(including estimated interest)	239,869	544,354	-	-	784,223
Lease liabilities (Note)	68,373	97,192	20,291	-	185,856
As of December 31, 2022					
Accounts payable					
(including other payables)	\$489,541	\$-	\$-	\$-	\$489,541
Short-term borrowings	452,866	-	-	-	452,866
Long-term borrowings					
(including estimated interest)	124,367	128,270	7,492	-	260,129
Lease liabilities (Note)	51,470	67,986	26,021	-	145,477

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Guarantee deposits	Total liabilities from financing activities
As of January 1, 2023	\$441,181	\$258,251	\$139,933	\$5,269	\$844,634
Cash flows	43,040	462,250	(64,067)	2,600	443,823
Non-cash changes	559,448	45,035	103,227	18,295	726,005
As of December 31, 2023	<u>\$1,043,669</u>	<u>\$765,536</u>	<u>\$179,093</u>	<u>\$26,164</u>	<u>\$2,014,462</u>

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Guarantee deposits	Total liabilities from financing activities
As of January 1, 2022	\$-	\$150,151	\$81,119	\$990	\$232,260
Cash flows	158,481	(40,218)	(48,136)	(12,101)	58,026
Non-cash changes	282,700	148,318	106,950	34,597	572,565
As of December 31, 2022	<u>\$441,181</u>	<u>\$258,251</u>	<u>\$139,933</u>	<u>\$23,486</u>	<u>\$862,851</u>

(7) Fair values of financial instruments

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

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

- (A) The carrying amount of cash and cash equivalents, accounts receivables, refundable deposits, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (B) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- (C) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method or income approach valuation techniques. The market method valuation is based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities). The income method is based on the estimated recoverable amount of the present value of similar financial assets that are expected to be received from cash dividends or disposals of investments.
- (D) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	\$13,306	\$-	\$-	\$13,306
Limited partnership	-	-	51,726	51,726
Film investment agreement	-	-	3,000	3,000
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	3,085	6,951	112,263	122,299

As of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	\$12,562	\$-	\$-	\$12,562
Limited partnership	-	-	31,905	31,905
Film investment agreement	-	-	3,000	3,000
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	3,386	6,093	60,040	69,519

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

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

	Assets			Measured at fair value through other comprehensive income
	Measured at fair value through profit or loss			
	Limited partnership	Film investment agreement	Total	
Beginning balances as of January 1, 2023	\$31,905	\$3,000	\$34,905	\$60,040
Total gains and losses recognized for the year ended December 31, 2023				
Amount recognized in profit or loss (presented in “Unrealized gains (losses) from financial asset at fair value through profit or loss)	(4,936)	-	(4,936)	-
Amount recognized in OCI (presented in “Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	-	-	-	6,773
Acquired in 2023	24,757	-	24,757	-
Reclassified in 2023	-	-	-	45,450
Ending balances as of December 31, 2023	\$51,726	\$3,000	\$54,726	\$112,263

	Assets				Measured at fair value through other comprehensive income
	Measured at fair value through profit or loss				
	Limited partnership	Film investment agreement	Profit sharing contract of game development and publishing	Total	
Beginning balances as of January 1, 2022	\$37,894	\$-	\$17,143	\$55,037	\$93,524
Total gains and losses recognized for the year ended December 31, 2022					
Amount recognized in profit or loss (presented in “Unrealized gains (losses) from financial asset at fair value through profit or loss)	(16,788)	-	-	(16,788)	-
Amount recognized in OCI (presented in “Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	-	-	-	-	991
Acquisition of subsidiaries	-	-	-	-	29,285
Acquired in 2022	10,799	3,000	1,905	15,704	6,430
Disposed in 2022	-	-	-	-	(67,397)
Reclassified to investments accounted for using the equity method in 2022	-	-	-	-	(2,793)
Repaid in 2022	-	-	(19,048)	(19,048)	-
Ending balances as of December 31, 2022	\$31,905	\$3,000	\$-	\$34,905	\$60,040

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

The fair value of fund, limited partnership and unlisted stocks are estimated by the asset-based approach. The asset-based approach involves assessing the total value of individual assets and liabilities to reflect the overall value of the enterprise or business and calculating the equity value of the company based on the fair value of its net assets.

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

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

(9) Significant assets and liabilities denominated in foreign currencies

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

	(Expressed in thousands)		
	December 31, 2023		
	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
Monetary items:			
USD	\$10,881	30.71	\$334,104
RMB	6,739	4.34	29,248
JPY	2,356	0.22	519
<u>Financial liabilities</u>			
Monetary items:			
USD	2,350	30.71	72,157

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	December 31, 2022		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$29,035	30.71	\$891,665
RMB	16,397	4.41	72,309
JPY	16,708	0.23	3,904

Financial liabilities

Monetary items:

USD	1,576	30.71	48,310
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The above information is disclosed based on the carrying amount of foreign currency (after conversion of functional currency).

The Group has a variety of functional currencies, therefore the monetary impact on financial assets and liabilities impact for each individual currency cannot be disclosed. For the years ended December 31, 2023 and 2022, foreign exchange losses were NT\$4,653 thousand and foreign exchange gains NT\$96,340 thousand, respectively.

(10) Capital management

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

13. Additional disclosure

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:

- (A) Financing provided to other: Please refer to Attachment 1-1, 1-2 and 1-3.
- (B) Endorsement/Guarantee provided to others: Please refer to Attachment 2.
- (C) Securities held (excluding subsidiaries, associates and joint venture): Please refer to Attachment 3.
- (D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million and 20 percent of the capital stock: Please refer to Attachment 4.

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- (E) Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions: Please refer to Attachment 7.
 - (F) Names, locations and related information of investee companies (Not including investment in Mainland China): Please refer to Attachment 8.
 - (G) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million and 20 percent of the capital stock: Please refer to Attachment 5.
 - (H) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million and 20 percent of the capital stock: None.
 - (I) Disposal of individual real estate with amount exceeding the lower of NT\$300 million and 20 percent of the capital stock: None.
 - (J) Receivables from related parties with amounts exceeding the lower of NT\$100 million and 20 percent of capital stock: Please refer to Attachment 6.
 - (K) Financial instruments and derivative transactions: None.
- (2) Information on investments in mainland China
- (A) Basic information: Please refer to Attachment 9-1 and 9-2.
 - (B) Directly or indirectly significant transactions through third regions with the investees in Mainland China: None.
- (3) Information on major shareholders: Please refer to Attachment 10.

14. Segment information

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

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

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

Electronic Parts and Components Department: this segment is mainly responsible for sales of electronic parts and components.

Network Application Department: this segment is mainly responsible for researching, manufacturing and sale of application delivery controllers, high-end SSL VPN systems, remote desktop access solutions, application acceleration and WAN optimization controllers.

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Third-payment Department: this segment is mainly responsible for third-party payment services.

Power Distribution Machinery Manufacturing Department: this segment is mainly responsible for production and sale of transformers and distribution boards.

Other Department: this segment mainly includes manufacturing and sales of beauty and skincare products, domestic and foreign liquor agent sale, and others.

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

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

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

(Expressed in thousands)

For the year ended December 31, 2023									
	Operating Department	Electronic			Third-party payment Department	Power		Adjustment and elimination	Total
		Electronic Products Department	parts and components Department	Network Application Department		Machinery Manufacturing Department	Other Department		
Revenue	\$501,391	\$283,622	\$693,647	\$626,690	\$237,477	\$893,692	\$25,662	\$-	\$3,262,181
External customer	65,491	-	395	-	-	-	-	(65,886)	-
Inter-segment	\$566,882	\$283,622	\$694,042	\$626,690	\$237,477	\$893,692	\$25,662	\$(65,886)	\$3,262,181
Total revenue	\$245,146	\$(31,447)	\$(56,685)	\$8,383	\$(18,367)	\$39,590	\$4,647	\$11,805	\$(287,220)
Segment (loss) profit									

(Expressed in thousands)

For the year ended December 31, 2022									
	Operating Department	Electronic			Third-party payment Department	Power		Adjustment and elimination	Total
		Electronic Products Department	parts and components Department	Network Application Department		Machinery Manufacturing Department	Other Department		
Revenue	\$517,960	\$304,078	\$661,220	\$398,063	\$333,718	\$37,095	\$-	\$-	\$2,252,134
External customer	67,444	-	-	-	-	24	(67,468)	-	-
Inter-segment	\$585,404	\$304,078	\$661,220	\$398,063	\$333,718	\$37,119	\$(67,468)	\$2,252,134	
Total revenue	\$24,654	\$(23,063)	\$(39,061)	\$(113,010)	\$20,001	\$40	\$2,824	\$(127,615)	
Segment (loss) profit (Adjusted)									

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

The following table presents segment assets of the Group’s operating segments as at December 31, 2023 and 2022:

Operating segment assets

	Electronic		Electronic			Power		Reportable operating segments	Adjustment and elimination	Total
	Operating Department	Products Department	Parts and Components Department	Network Application Department	Third-party Payment Department	Distribution				
						Machinery Manufacturing Department	Other Department			
December 31, 2023	\$959,357	\$2,448,800	\$1,219,868	\$864,646	\$581,822	\$1,112,734	\$506,523	\$7,693,750	\$(561,280)	\$7,132,470
December 31, 2022										
(Adjusted)	\$1,291,206	\$1,082,243	\$1,523,498	\$794,534	\$586,563	\$-	\$512,506	\$5,790,550	\$(467,990)	\$5,322,560

Operating segment liabilities

	Electronic		Electronic			Power		Reportable operating segments	Adjustment and elimination	Total
	Operating Department	Products Department	Parts and Components Department	Network Application Department	Third-party Payment Department	Distribution				
						Machinery Manufacturing Department	Other Department			
December 31, 2023	\$817,988	\$981,316	\$454,504	\$480,680	\$288,769	\$1,183,532	\$1,344	\$4,208,133	\$(66,243)	\$4,141,890
December 31, 2022										
(Adjusted)	\$628,648	\$180,691	\$631,607	\$478,007	\$297,846	\$-	\$5,513	\$2,222,312	\$(171,641)	\$2,050,671

Other reconciliations of reportable segments

	For the years ended	
	December 31,	
	2023	2022 (Adjusted)
Total profit or loss for reportable segments	\$(287,220)	\$(127,615)
Other profit or (loss)	1,578	734,958
(Loss) or profit before tax from continuing operations	\$(285,642)	\$607,343

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(3) Geographical information

Revenue from external customers:

	For the years ended	
	December 31,	
	2023	2022
Taiwan	\$1,791,516	\$831,370
Mainland China	497,229	597,893
India	376,934	239,331
United States	107,059	93,889
Other	489,443	489,651
Total	<u>\$3,262,181</u>	<u>\$2,252,134</u>

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

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(Expressed in thousands of NTD unless otherwise stated)

Attachment 1-1: Financing provided to others - Softstar Entertainment Inc.

NO. (Note 1)	Lender	Counter-party	Financial statement account (Note 2)	Related party	Maximum amount of current period	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 3)	Amount of sales to (purchases from) counter- party	Reason for short-term financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party (Note 4)	Limit of financing amount (Note 4)
													Item	Value		
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	Other Receivables - related parties	Yes	\$100,000	\$50,000	\$-	3.12%	2	\$-	Operating capital	\$-	-	\$-	\$465,845	\$621,127

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

(1) The Company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Note 2: Name of account in which the loans are recognized including but not limited to accounts receivables-related parties, other receivables-related parties and, current account with stockholders, prepayments, and temporary payments, etc.

Note 3: The number filled in for nature of loan are as follows:

(1) Business transaction is "1".

(2) Short-term financing is "2".

Note 4: Limit of financing amount for individual counter-party shall not exceed 30% of the Company's net value; limit of total financing amount shall not exceed 40% of the Company's net asset value.

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

Attachment 1-2: Financing provided to others - Chander Electronics Corp.

NO. (Note 1)	Lender	Counter-party	Financial statement account (Note 2)	Related party	Maximum amount of current period	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 3)	Amount of sales to (purchases from) counter- party	Reason for short-term financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party (Note 4)	Limit of financing amount (Note 4)
													Item	Value		
1	Yun Fang Co., Ltd.	Chander Electronics Corp.	Other Receivables	Yes	\$20,000	\$-	\$-	1.20%	1	\$25,000	-	\$-	-	\$-	\$25,000	\$16,314

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

(1) The Company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Note 2: Name of account in which the loans are recognized including but not limited to accounts receivables-related parties, other receivables-related parties and, current account with stockholders, prepayments, and temporary payments, etc.

Note 3: The number filled in for nature of loan are as follows:

(1) Business transaction is "1".

(2) Short-term financing is "2".

Note 4: For those who have business transactions, the total amount of loans granted by Yun Fang Co., Ltd. should not exceed 600% of the net value of Yun Fang Co., Ltd., and the individual financing amount should not exceed the amount of business transactions between the two parties in the most recent year.

Note 5: All transactions listed above were eliminated in the consolidated financial statement.

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in thousands of NTD/foreign currency unless otherwise stated)

Attachment 1-3: Financing provided to others - Array Inc.

NO. (Note 1)	Lender	Counter-party	Financial statement account (Note 2)	Related party	Maximum amount of current period	Ending balance	Amount actually drawn (Note4)	Interest rate	Nature of financing (Note 3)	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party (Note 4)	Limit of financing amount (Note 4)
													Item	Value		
1	Array Cayman	Zentry Security Inc.	-	Yes	\$106,491 (USD 3,300)	\$- (USD -)	\$- (USD -)	-	2	\$-	Operating capital	\$-	-	\$-	\$128,280	\$128,280
2	Array Inc.	Array Networks, Inc. (Array US)	-	Yes	15,353 (USD 500)	15,353 (USD 500)	15,353 (USD 500)	-	2	-	Operating capital	-	-	-	128,280	128,280

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

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

Note 2: Name of account in which the loans are recognized including but not limited to accounts receivables-related parties, other receivables-related parties and, current account with stockholders, prepayments, and temporary payments, etc.

Note 3: The number filled in for nature of loan are as follows:

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

Note 4: The financing limit for each individual counter-party should not exceed 40% of the lender's net worth as stated in its latest audited or reviewed financial statements.

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
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(Expressed in thousands of NTD unless otherwise stated)

Attachment 2: Endorsement/Guarantee provided to others - Uniplus Electronics

Co., Ltd.

No. (Note 1)	Endorser/Guarantor	Guaranteed Party		Limits on Endorsement/Guarantee to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee Amount to Net Equity per Latest Financial Statement	Maximum Endorsement/Guarantee Amount Allowable (Note 4)	Guarantee Provided by Parent Company (Note 7)	Guarantee Provided by A Subsidiary (Note 7)	Guarantee Provided to Subsidiaries in Mainland China (Note 7)
		Company Name	Relationship (Note 2)										
1	Uniplus Electronics Co., Ltd.	San Jiang Electric MFG. Co., Ltd.	4	\$1,848,890	\$1,025,000	\$1,025,000	\$823,560	\$-	83.16%	\$2,465,186	Y	N	N

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

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 90% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in the limits and maximum amount on endorsement/guarantee to individual guaranteed party which are in accordance with the operating procedures of endorsement/guarantee provided to others by the Company. According to the "operating procedures of endorsement/guarantee" of Uniplus Electronics Co., Ltd., the total amount of endorsement/guarantee of Uniplus Electronics Co., Ltd. shall not exceed 200% of the net value of Uniplus Electronics Co., Ltd. for the current period and the limits on endorsement/guarantee to each guaranteed party shall not exceed 150% of the net value of Uniplus Electronics Co., Ltd. for the current period.

Note 4: Year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: 'Y' represents cases of provision of endorsements/guarantees by listed parent company to subsidiary, provision by subsidiary to listed parent company, or provision to the party in Mainland China.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in thousands of NTD unless otherwise stated)

Attachment 3: Securities held as of December 31, 2023

Names of companies held	Type of securities (Note 1)	Name of securities (Note 1)	Relationship with the Issuer (Note 2)	Financial statement account	December 31, 2023				Note (Note 4)
					Shares (in thousand)	Carrying amount (Note 3)	Shareholding (%)	Fair value	
Softstar Entertainment Inc.	Stock	Taiwan Smart Card Co.	-	Financial assets at fair value through other comprehensive income, non-current	2,552	\$12,971	15.95	\$12,971	None
Softstar Entertainment Inc.	Stock	Funfia Inc.	-	Financial assets at fair value through other comprehensive income, non-current	600	-	11.51	-	None
Softstar Entertainment Inc.	Emerging stock	Meimai Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	266	3,085	1.22	3,085	None
Softstar Entertainment Inc.	Listed stock	Newretail Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	657	6,951	2.26	6,951	None
Softstar Entertainment Inc.	Limited partnership	Cathay Private Equity Ecology Limited Partnership	-	Designated as financial assets at fair value through profit or loss, non-current	-	9,293	16.21	9,293	None
Softstar Entertainment Inc.	Limited partnership	Cathy Private Equity Smart Technology Limited Partnership	-	Designated as financial assets at fair value through profit or loss, non-current	-	12,910	4.43	12,910	None
Softstar Entertainment Inc.	Limited partnership	Vertex Ventures (SG) SEA V LP	-	Financial assets at fair value through profit or loss, non-current	-	3,928	1.02	3,928	None
Mega Media Group Limited	Stock	BLC Group Holding Limited	-	Financial assets at fair value through other comprehensive income, non-current	678	8,352	8.82	8,352	None
Mega Media Group Limited	Stock	Boom Fintech Inc.	-	Financial assets at fair value through other comprehensive income, non-current	250	-	9.22	-	None
Uniplus Electronics Co., Ltd.	Limited partnership	Outstanding Capital Limited Partnership	-	Financial assets at fair value through profit or loss, non-current	-	8,272	4.86	8,272	None
Uniplus Electronics Co., Ltd.	Listed stock	Softstar Entertainment Inc.	Parent company	Financial assets at fair value through other comprehensive income, non-current	6,370	490,512	6.13	490,512	None
Chander Electronics Corp.	Listed stock	Array Inc.	-	Financial assets at fair value through other comprehensive income, non-current	2	48	-	48	None
Chander Electronics Corp.	Stock	Super Energy Materials Inc.	-	Financial assets at fair value through other comprehensive income, non-current	4,544	90,880	16.85	90,880	None
Chander Electronics Corp.	Listed stock	Softstar Entertainment Inc.	Parent company	Financial assets at fair value through other comprehensive income, non-current	623	47,985	0.60	47,986	None
Toptrend Technologies Corp.	Fund	Allianz Global Investors Income and Growth Fund	-	Financial assets at fair value through profit or loss, current	5	1,461	-	1,461	None
Toptrend Technologies Corp.	Limited partnership	Wisdom Capital Limited Partnership	-	Financial assets at fair value through profit or loss, current	-	17,323	-	17,323	None
Toptrend Technologies Corp.	Listed stock	Softstar Entertainment Inc.	Parent company	Financial assets at fair value through other comprehensive income, non-current	821	63,182	0.79	63,182	None
Toptrend Technologies Corp.	Stock	Hanbang Precision Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	93	60	1.56	60	None
Array US	Fund	Morgan Stanley Mutual Funds	-	Financial assets at fair value through profit or loss, current	-	11,845	-	11,845	None
Red Sunrise Co., Ltd.	Stock	Field System Inc.	-	Financial assets at fair value through other comprehensive income, non-current	10	-	2.39	-	None
Red Sunrise Co., Ltd.	Stock	Spreadsun Information Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	190	-	19.00	-	None

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

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

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

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

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

Attachment 4: Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital

Purchaser/Seller	Marketable securities type and name (Note1)	Financial statement account	Counter-party	Relationship	Beginning balance		Acquisition		Disposal				Ending balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying value	Gain/Loss on disposal	Shares/Units	Amount
Uniplus Electronics Co., Ltd.	San Jiang Electric MFG. Co., Ltd.	Investments accounted for using the equity method	Note 1	-	-	\$-	12,000	\$1,344,400	-	\$-	\$-	\$-	12,000	\$1,344,400
								(Note 2 and 3)						

Note 1: Mighty Firm International Ltd. and individual shareholder, etc.

Note 2: The acquisition price amounted to NT\$844,400 thousand was paid, and an additional amount of NT\$500,000 thousand was recognized in other payables.

Note 3: In March 2023, Uniplus Electronics Co., Ltd. participated in the cash capital increase of San Jiang Electric MFG. Co., Ltd. in the amount of NT\$50,400 thousand, at NT\$112 thousand per share, with a total of 450 shares.

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

Attachment 5: Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Purchaser/Seller	Counter-party	Relationship with the counter-party	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases/ sales	Amount	Percentage of total purchases/ sales	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Hang Zheng Technology Co., Ltd.	Uniplus Electronics Co., Ltd.	Parent company	Purchases	\$144,363	11.82%	According to the agreement	The transaction price and payment terms are not materially different from the third party.	According to the agreement	Accounts payable \$49,205	12.08%	Note

Note: Eliminated in the consolidated financial statement.

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SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

Attachment 6: Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

Creditor	Counter-party	Relationship with the counter-party	Balance of receivables from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Array US	Array Networks India Private Limited	Same parent company	Accounts receivable-related parties <u>\$148,302</u>	0.96%	\$-	-	\$48,781	\$-

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SOFSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in thousands of NTD unless otherwise stated)

Attachment 7: Significant intercompany transactions between consolidated entities

No. (Note 1)	Company	Counter-party	Relationship (Note 2)	Business Transactions			As a percentage of consolidated revenues (Note 3)
				Account	Amount	Term	
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Operating Revenue	\$46,946	Negotiated by both parties	1
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Operating Costs	7,504	Negotiated by both parties	0
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Accounts Receivable	17,127	Negotiated by both parties	0
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Other Receivables	1,659	Negotiated by both parties	0
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Prepayment	19,048	Negotiated by both parties	0
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Accounts Payable	2,120	Negotiated by both parties	0
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	1	Other Payables	10	Negotiated by both parties	0
0	Softstar Entertainment Inc.	Gamebase Digital Media Corporation	1	Other Receivables	1,955	Negotiated by both parties	0
0	Softstar Entertainment Inc.	Gamebase Digital Media Corporation	1	Prepayment	1,905	Negotiated by both parties	0
0	Softstar Entertainment Inc.	San Jiang Electric MFG. Co., Ltd.	1	Other Receivables	192	Negotiated by both parties	0
0	Softstar Entertainment Inc.	San Jiang Electric MFG. Co., Ltd.	1	Other Payables	438	Negotiated by both parties	0
0	Softstar Entertainment Inc.	Red Sunrise Co., Ltd.	1	Service Revenue-others	136	Negotiated by both parties	0
0	Softstar Entertainment Inc.	Chander Electronics Corp.	1	Other Receivables	463	Negotiated by both parties	0
0	Softstar Entertainment Inc.	Chander Electronics Corp.	1	Other Payables	7	Negotiated by both parties	0
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	3	Sales Revenue	144,363	90 days monthly settlement for sales of products 30 days monthly settlement for processing fees revenue	4
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	3	Rental Income	4,334	Monthly settlement	0
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	3	Other Income	1,329	Monthly settlement	0
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	3	Accounts Receivable	49,205	90 days monthly settlement for sales of products 30 days monthly settlement for processing fees revenue	1
1	Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	3	Other Receivables	4,680	Monthly settlement	0
1	Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	3	Rental Income	366	Monthly settlement	0
1	Uniplus Electronics Co., Ltd.	Jiu He Yi Technology Co., Ltd.	3	Rental Income	29	Monthly settlement	0
1	Uniplus Electronics Co., Ltd.	Ruihe Investment Co., Ltd.	3	Rental Income	14	Monthly settlement	0
1	Uniplus Electronics Co., Ltd.	San Jiang Electric MFG. Co., Ltd.	3	Other Income	2,634	Monthly settlement	0
2	Hang Zheng Technology Co., Ltd.	Uniplus Electronics Co., Ltd.	2	Sales Revenue	11,901	90 days monthly settlement for sales of products 30 days monthly settlement for processing fees revenue	0
3	Green Bless Co., Ltd.	Uniplus Electronics Co., Ltd.	2	Sales Revenue	22	Monthly settlement	0
4	Chander Electronics Corp.	Changsha Zecheng Technology Co., Ltd.	3	Sales Revenue	3,328	Based on regular terms	0
4	Chander Electronics Corp.	Changsha Zecheng Technology Co., Ltd.	3	Accounts Receivable	2,334	Based on regular terms	0
5	Toptrend Technologies Corp.	Changsha Zecheng Technology Co., Ltd.	3	Sales Revenue	53,511	Based on regular terms	2
5	Toptrend Technologies Corp.	Changsha Zecheng Technology Co., Ltd.	3	Accounts Receivable	36,238	Based on regular terms	1
	Array Inc.(Cayman)	Array US	3	Other Receivables-related parties	15,353	Based on regular terms	0
	Array US	Zentry Security Inc.	3	Other Receivables-related parties	97,264	Based on regular terms	1
6	Array US	Array Networks Japan Kabishiki Kaisha	3	Accounts Payable- related parties	10,506	Based on regular terms	0
	Array US	Array Networks Japan	3	Accounts Payable- related parties	9,841	Based on regular terms	0
	Array US	Array Networks India Private Limited	3	Accounts Receivable- related parties	148,302	Based on regular terms	2
6	Array US	Array Networks India Private Limited	3	Operating Revenue	104,322	Based on regular terms	3
6	Array US	Array Networks India Private Limited	3	Royalties	43,610	Based on regular terms	1
7	Array Networks Japan Kabishiki Kaisha	Array US	2	Operating Revenue	13,300	Based on regular terms	0
8	Array Networks India Private Limited	Zentry Security Inc.	3	Other Receivables-related parties	37,910	Based on regular terms	1

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

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

Note 2: Transactions are categorized into three types as follows: (There is no need to repeat the disclosure of the same transaction between the parent company and each subsidiary.

For example, if the parent company has disclosed the transaction with the subsidiary, the subsidiary does not need to disclose it; if transactions between subsidiaries has been disclosed by one company, the other company does not need to disclose the transaction.

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

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

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Attachment 8: Names, locations and related information of investee companies (Not including investment in Mainland China)

Investor company	Investee company	Location	Main business and products	Original investment amount		Investment as of December 31, 2023			Net income (loss) of investee (Note 1)	Investment income (loss) recognized (Note 1)	Note
				Ending balance	Beginning balance	Number of shares (in thousand)	Percentage of ownership (%)	Book value			
Sofstar Entertainment Inc.	Lofstar Interactive Entertainment Inc.	Taiwan	Software wholesale and information software services	\$157,533	\$58,500	14,850	100	\$11,464	\$(53,760)	\$(53,760)	Subsidiary
Sofstar Entertainment Inc.	Activation Entertainment Ltd.	Taiwan	Performing arts	6,000	6,000	-	100	886	(57)	(57)	Subsidiary
Sofstar Entertainment Inc.	Red Sunrise Co., Ltd.	Taiwan	Third-party payment services	191,519	176,899	7,756	55.60	202,091	9,575	2,749	Subsidiary
Sofstar Entertainment Inc.	Gamebase Digital Media Corporation	Taiwan	Software publishing and information software services	163,000	151,000	16,700	100	99,075	(31,996)	(31,996)	Subsidiary
Sofstar Entertainment Inc.	Sofstar Animation Limited	Samoa	Investment holding	29,888	29,888	980	100	6,950	142	142	Subsidiary
Sofstar Entertainment Inc.	A.R.T. Games Co., Ltd.	Taiwan	Network software development and technical services	12,250	12,250	1,225	49	360	(2,602)	(1,275)	Investee accounted for using the equity method
Sofstar Entertainment Inc.	Chia-c International Inc.	Taiwan	Investment holding	20,000	20,000	814	28.21	-	-	-	Investee accounted for using the equity method
Sofstar Entertainment Inc.	Time Vision International Limited	Samoa	Investment holding	47,154	-	1,500	100	30,355	(30,422)	(30,422)	Subsidiary
Sofstar Entertainment Inc.	Uniplus Electronics Co., Ltd.	Taiwan	Electronic component manufacturing, lamination, research and development and trade of business operation	545,012	350,012	91,955	43.76	432,983	9,932	(2,256)	Subsidiary
Sofstar Entertainment Inc.	New Profit Holding Ltd.	Seychelles	Investment holding	24,501	24,501	1,610	100	26,386	(1,040)	(1,040)	Subsidiary
Sofstar Entertainment Inc.	JFN Investment Holding Corp.	BVI	Investment holding	78,605	78,605	13	100	82,812	(3,145)	(3,145)	Subsidiary
Sofstar Entertainment Inc.	Lanjing Ltd.	Taiwan	Investment holding	316,916	316,916	-	100	345,375	(12,973)	(12,973)	Subsidiary
Sofstar Entertainment Inc.	Jiwei Technology Ltd.	Taiwan	Investment holding	229,197	229,197	-	100	204,290	(8,936)	(8,936)	Subsidiary
Sofstar Entertainment Inc.	Chander Electronics Corp.	Taiwan	Electronic products distribution	232,188	191,330	10,513	13.02	129,812	(45,824)	(7,936)	Subsidiary
Sofstar Entertainment Inc.	Double Edge Entertainment Corp.	Taiwan	Film production and media distribution	34,926	34,926	1,591	30.31	11,084	(4,971)	(1,507)	Investee accounted for using the equity method
Sofstar Entertainment Inc.	Softstar Singapore Private Limited	Singapore	Investment holding	3,191	-	135	100	1,714	(2,458)	(2,458)	Subsidiary
Sofstar Entertainment Inc.	Zhu International Group Inc.	Taiwan	Hospitality service	1,000	-	100	100	757	(243)	(243)	Subsidiary
Sofstar Entertainment Inc.	Lanjing Ltd.	Taiwan	Electronic products distribution	316,703	316,703	17,479	21.64	345,348	(45,824)	(12,914)	Subsidiary
Jiwei Technology Ltd.	Chander Electronics Corp.	Taiwan	Electronic products distribution	17,480	17,480	920	1.14	18,996	(45,824)	(680)	Subsidiary
Jiwei Technology Ltd.	Array Holdings for APGFIII Fund LPs	British Cayman Islands	Investment holding	201,134	201,134	-	100	178,021	(10,088)	(10,088)	Indirect subsidiary
New Profit Holding Ltd.	Chander Electronics Corp.	Taiwan	Electronic products distribution	24,213	24,213	1,274	1.58	26,298	(45,824)	(943)	Subsidiary
JFN Investment Holding Corp.	Chander Electronics Corp.	Taiwan	Electronic products distribution	78,480	78,480	4,131	5.11	82,496	(45,824)	(3,049)	Subsidiary
Gamebase Digital Media Corporation	Niusnews Co., Ltd.	Taiwan	Advertisement and information software services	49,644	42,471	1,784	26.01	25,996	(20,900)	(5,436)	Investee accounted for using the equity method
Gamebase Digital Media Corporation	Mega Media Group Limited	Seychelles	General investment	93,260	93,260	2,800	100	72,758	(4,194)	(4,194)	Indirect subsidiary
Gamebase Digital Media Corporation	Seconds Media Corp.	Taiwan	Advertisement and information software services	3,500	-	450	100	1,607	(2,493)	(1,933)	Indirect subsidiary
Mega Media Group Limited	Niusnews Co., Ltd.	Taiwan	Advertisement and information software services	73,260	73,260	666	9.71	64,401	(20,900)	(2,029)	Investee accounted for using the equity method
Array Holdings for APGFIII Fund LPs	Array Inc.	British Cayman Islands	Investment holding	193,291	193,291	21,172	36.17	168,168	(21,223)	(10,088)	Indirect subsidiary
Sofstar Singapore Private Limited	Starlight Gaming India Private Limited	India	Game agent and marketing	3,124	-	800	99.99	1,658	(1,400)	(2,448)	Indirect subsidiary
Uniplus Electronics Co., Ltd.	Green Bless Co., Ltd.	Taiwan	Beauty and skincare products	94,736	94,736	2,900	100	22,927	(561)	(561)	Indirect subsidiary
Uniplus Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Taiwan	Wholesale of electronic equipments	55,000	10,000	5,500	55	54,907	2,794	(689)	Indirect subsidiary
Uniplus Electronics Co., Ltd.	Jiu He Yi Technology Co., Ltd.	Taiwan	Wholesale of electronic equipments	1,000	41,000	100	100	641	(263)	(263)	Indirect subsidiary
Uniplus Electronics Co., Ltd.	Ruihe Investment Co., Ltd.	Taiwan	Investment holding	-	100	-	-	-	(40)	(40)	Dismissed in September 2023
Uniplus Electronics Co., Ltd.	San Jiang Electric MFG. Co., Ltd.	Taiwan	Production and sale of transformers and distribution boards	1,344,400	-	12	100	1,372,129	82,598	28,571	Indirect subsidiary
Red Sunrise Co., Ltd.	Sun Tech Co., Ltd.	Taiwan	Sale of vouchers and BNPL	101,000	51,000	10,100	100	86,854	(14,091)	(14,091)	Indirect subsidiary
Red Sunrise Co., Ltd.	Soundnet Tech Co., Ltd.	Taiwan	Design of computer software	1,820	1,820	282	100	-	-	-	Indirect subsidiary
Red Sunrise Co., Ltd.	PayNow Inc.	Taiwan	Third-party payment services	-	332	-	-	-	936	385	Investee accounted for using the equity method
Chander Electronics Corp.	Chander Electronics (HK) Corporation	Hong Kong	Distribution and trade of electronic components, integrated circuits, computer equipment and related products	114,142	114,142	28,200	100	8,402	(244)	(244)	Indirect subsidiary
Chander Electronics Corp.	Neweb Technologies Co., Ltd.	Taiwan	Software wholesale and retail sales; electronic data supply services	349,954	349,954	24,649	32.63	449,573	2,295	749	Investee accounted for using the equity method
Chander Electronics Corp.	Yun Fang Co., Ltd.	Taiwan	Tobacco, liquor, beverage, food and medical equipment wholesale and retail	5,000	5,000	500	100	2,726	(1,624)	(1,624)	Indirect subsidiary
Chander Electronics Corp.	Toptrend Technologies Corp.	Taiwan	Distribution and trade of electronic components, integrated circuits, computer equipment and related products	321,440	321,440	18,040	94.37	385,328	15,493	10,929	Indirect subsidiary
Chander Electronics Corp.	Quan Zhe Metal Corp.	Taiwan	Electronic component products, information software wholesale and retail, and data processing services	2,484	50	248	82.81	268	(2,675)	(2,346)	Indirect subsidiary
Chander Electronics Corp.	Dara Power Co., Ltd.	Taiwan	Electronic parts and components manufacturing and energy technical service	8,000	-	800	100	6,318	(1,682)	(1,682)	Indirect subsidiary
Array Inc.	Array Cayman	British Cayman Islands	Investment holding	370,326	370,326	37,032	100	209,696	11,459	11,459	Indirect subsidiary
Array Inc.	Array Taiwan Inc.	Taiwan	Research and development of network functional platform products	30,000	-	3,000	100	9,541	(18,623)	(18,623)	Indirect subsidiary
Array Cayman	Array US	US	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	184,843	184,843	-	100	347,690	12,442	12,442	Indirect subsidiary
Array Cayman	Zentry Security Inc.	US	Zentry modernizes the secure access with enhanced security, improved productivity, and ease of use. It helps customers migrate to Zero Trust Security model from obsolete perimeter model (Firewall & VPN)	343,896	343,952	-	99.95	(137,994)	(983)	(983)	Indirect subsidiary
Array US	Array Networks Japan Kabishiki Kaisha	Japan	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	2,579	2,342	200	100	21,351	916	916	Indirect subsidiary
Array US	Array Networks India Private Limited	India	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	51,646	36,298	-	100	78,888	39,842	39,842	Indirect subsidiary

Note 1: If the listed company set up the overseas investment company and consolidated financial statements are primary financial statements under local regulations, information about overseas investees can be disclosed only to the extent of the overseas investment company.

Note 2: If not qualified for the situation stated in Note 1, the above table should be made under rules as follows:

(1) Information about the Company's investments should be filled in the "Investee", "Location", "Main business", "Original investment" and "Investment as of December 31, 2018" columns. The relationship between the investee and the Company should be filled in the "Note" column.

(2) The net income for the year of each investee should be filled in the "Net income (loss) of investee" column.

(3) Only the investment income (loss) of subsidiaries or investees accounted for using the equity method recognized by the Company should be filled in the "Investment income (loss) recognized" column. The investment income (loss) recognized should include investment income (loss) recognized by the investee.

Note 3: The original investment was completed through share swap.

Note 4: Including the amortization of differences between the carrying amount and the fair value based the purchase price allocation reports.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in thousands of NTD unless otherwise stated)

Attachment 9-1: Informations on investments in Mainland China - Softstar Entertainment Inc.

1. The following table presents names, main businesses and products, total amount of paid-in capital, method of investment, accumulated outflow of investment from Taiwan, investment income recognized, carrying amount, and accumulated inward remittance of earnings on investment of investees in Mainland China

Investee Company	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as at January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (loss) of investee Company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as of December 31, 2023	Accumulated inward remittance of earnings as of December 31, 2023	Note (Note 2(2))
					Outflow	Inflow							
Softstar Technology (Shanghai) Co., Ltd.	Information processing service	\$134,694	2	\$22,294	-	-	\$22,294	(Note 4)	-	-	-	-	C

2. Investment quota for Mainland China:

Accumulated investment in Mainland China as of December 31, 2023	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment in accordance with Ministry of Economic Affairs regulations (Note 5)
\$22,294	\$285,526	\$1,794,348

Note 1: The method for engaging in investment in Mainland China include the following :

- (1) Direct investment in Mainland China with capital increase through companies registered in third region.
- (2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of company in third region)
- (3) Other method.

Note 2: For the investment income (loss) recognized in current period, the investment income (loss) was determined based on the following basis:

- A. The financial statement was audited by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.
- B. The financial statement was audited by the auditors of the parent company.
- C. Others.

Note 3: The amount is stated in NTD.

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

Note 5: The upper limit of investment amount in Mainland China is the higher of 60% of the net value or 60% of consolidated net value.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in thousands of NTD/foreign currency unless otherwise stated)

Attachment 9-2: Informations on investments in Mainland China - Chander Electronics Corp.

1. The following table presents names, main businesses and products, total amount of paid-in capital, method of investment, accumulated outflow of investment from Taiwan, investment income recognized, carrying amount, and accumulated inward remittance of earnings on investment of investees in Mainland China

Investee Company	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as at January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (loss) of investee Company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as of December 31, 2023	Accumulated inward remittance of earnings as of December 31, 2023	Note
					Outflow	Inflow							
Trendwin Electronics (Shenzhen) Corporation (Note4)	Distribution and trade of electronic components, integrated circuits, computer equipment and related products.	HKD -	2	HKD 7,639 (USD 980)	\$-	\$-	HKD 7,639 (USD 980)	\$-	-	\$-	\$-	\$-	
Changsha Zecheng Technology Co., Ltd.	Distribution and trade of electronic components, integrated circuits, computer equipment and related products.	26,486 (USD 858)	1	22,170 (USD 718)	4,316 (USD 140)	-	26,486 (USD 858)	(9,980)	100	(8,206)	13,161	-	Note 5 and 6

2. Investment quota for Mainland China:

Accumulated investment in Mainland China as of December 31, 2023	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment in accordance with Ministry of Economic Affairs regulations
USD 1,838	\$1,838	\$518,124

Note 1: The method for engaging in investment in Mainland China include the following :

- (1) Direct investment in Mainland China with capital increase through companies registered in third region.
- (2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of company in third region)
- (3) Other method.

Note 2: For the investment income (loss) recognized in current period, the investment income (loss) was determined based on the following basis:

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

Note 3: The upper limit of investment amount in Mainland China is the higher of 60% of the net value or 60% of consolidated net value.

Note 4: Trendwin Electronics (Shenzhen) Corporation was liquidated in mainland China in August 2016, but the registration in the Investment Commission, MOEA has not yet been cancelled.

Note 5: Chander Electronics Corp. newly invested NT\$4,316 thousand (US\$140 thousand) in Changsha Zecheng Technology Co., Ltd. which had been approved by the Investment Commission, MOEA on October 31, 2023.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SOFTSTAR ENTERTAINMENT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Attachment 10: Major shareholder information

Name	Shares	Holding shares	Holding percentage(%)
Oriental Golden Richness Ltd.		9,708,162	9.34
Angel Fund (ASIA) Investments Limited		8,581,682	8.26
Global Angel Investments Limited		7,555,018	7.27
Uniplus Electronics Co., Ltd.		6,370,290	6.13

Appendix 2.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

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, 2023 and 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the parent company only financial statements, including the summary of material accounting policies (together “the parent company only financial statements”).

In our opinion, based on our audits and the reports of the other auditors (please refer to the Other Matter – Making Reference to the Audits of Other Auditors section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and cash flows for the years ended December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of 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. Based on our audits and the reports of the other auditors, 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 2023 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 revenue, our audit procedures included, but were not limited to:

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

We also considered the appropriateness of the parent company only financial statements disclosure regarding royalty revenue and contract liabilities in Note 4 and 6.

Goodwill Impairment Assessment (recognized as investments accounted for using equity method)

The Company conducted the impairment tests annually on the goodwill (recognized as investments accounted for using equity method) acquired through business combinations in accordance with the regulations of International Financial Reporting Standards (IFRSs). As the carrying amount of goodwill is material to the Company and the assumptions involved management's judgement, we therefore

considered this as a key audit matter.

Our audit procedures included, but were not limited to:

5. Understanding management's assessment processes and policies related to goodwill impairment;
6. Understanding management's criteria for identifying cash generating units and determining the measurement methods of recoverable amount, and reviewing the calculation process using the fair value less costs of disposal and value-in-use methods;
7. Understanding management's assessment process and basis for the projected growth rates and gross profit margins of the acquired companies' future operating prospects; and
8. Evaluating the valuation models and significant assumptions (including discount rates, etc.) utilized by management, and comparing the assumptions with market data and historical financial information to assess the reasonableness of management's judgments.

We also considered the appropriateness of the parent company only financial statements disclosure regarding investments accounted for using equity method in Note 4 and 6.

Other Matter – Making Reference to the Audits of Other Auditors

We did not audit the financial statements of certain investments accounted for using the equity method. Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for those investee companies accounted for using equity method and information disclosed in Note 13 relating to these equity investments, is based solely on the audit reports of other auditors. The investment accounted for using the equity method amounted to NT\$861,515 thousand and NT\$860,850 thousand, representing 42% and 35% of total assets as of December 31, 2023 and 2022, respectively. The related shares of profit or loss from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(43,075) thousand and NT\$(63,866) thousand, representing 14% of the loss before tax and (9)% of the profit before tax for the years ended 31 December, 2023 and 2022, respectively, and the related shares of other comprehensive income (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(15,852) thousand and NT\$(8,819) thousand, representing (223)% and 129% of the other comprehensive income for the years ended 31 December, 2023 and 2022, respectively.

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.

Auditors' 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 auditors' 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 the Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditors' 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.

/s/Yu, Chien-Ju

/s/Lu, Chien-Uen

Ernst & Young, Taiwan

March 29, 2024

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, 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 practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
 SOFTSTAR ENTERTAINMENT INC.
 PARENT COMPANY ONLY BALANCE SHEETS
 December 31, 2023 and 2022 (Adjusted)
 (Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		Liabilities and Equity	Notes	As of	
		December 31, 2023	December 31, 2022			December 31, 2023	December 31, 2022
Current assets				Current liabilities			
Cash and cash equivalents	4 and 6	\$180,575	\$351,909	Short-term borrowings	4, 6 and 8	\$142,000	\$193,000
Financial assets at fair value through profit or loss, current	4 and 6	3,000	-	Contract liabilities, current	4 and 6	19,805	14,232
Contract assets, current	4, 6 and 7	-	2,421	Notes payable		201	-
Accounts receivable, net	4 and 6	9,959	24,930	Accounts payable		11,429	13,443
Accounts receivable-related parties, net	4, 6 and 7	17,180	26,077	Accounts payable-related parties	7	2,120	5,590
Other receivables	4	7,995	6,916	Other payables	6	38,969	61,752
Other receivables-related parties	7	4,269	28,260	Other payables-related parties	7	455	298
Current income tax assets	4	1,389	3,117	Current income tax liabilities	4 and 6	45,340	5,051
Prepayment	4 and 7	75,345	38,746	Lease liabilities, current	4 and 6	13,103	17,996
Other financial assets, current	4, 6 and 8	3,012	96,431	Current portion of long-term borrowings	4, 6 and 8	83,114	47,089
Other current assets		2,011	46	Other current liabilities		1,731	2,959
Total current assets		<u>304,735</u>	<u>578,853</u>	Total current liabilities		<u>358,267</u>	<u>361,410</u>
Non-current assets				Non-current liabilities			
Financial assets at fair value through profit or loss, non-current	4 and 6	26,131	27,687	Contract liabilities, non-current	4 and 6	-	25,940
Financial assets at fair value through other comprehensive income, non-current	4 and 6	23,007	9,546	Long-term borrowings	4, 6 and 8	129,596	27,041
Investments accounted for using the equity method	4 and 6	1,586,394	1,765,284	Deferred tax liabilities	4 and 6	-	900
Contract assets, non-current	4 and 6	6,495	3,638	Lease liabilities, non-current	4 and 6	21,486	14,135
Property, plant and equipment	4 and 6	8,826	4,065	Net defined benefit liabilities	4 and 6	8,851	8,990
Right-of-use assets	4 and 6	32,890	31,328	Investments accounted for using the equity method in credit balance	4 and 6	-	33,809
Intangible assets	4 and 6	17,371	1,496	Total non-current liabilities		<u>159,933</u>	<u>110,815</u>
Deferred tax assets	4 and 6	22,521	3,674	Total liabilities		<u>518,200</u>	<u>472,225</u>
Refundable deposits		5,094	7,492	Equity			
Other financial assets, non-current	4, 6 and 8	37,553	19,570	Common stock	4 and 6	1,038,836	852,630
Total non-current assets		<u>1,766,282</u>	<u>1,873,780</u>	Additional paid-in capital	4 and 6	263,061	158,340
				Retained earnings	4 and 6		
				Legal reserve		175,480	128,417
				Special reserve		146,211	247,943
				Unappropriated earnings		255,999	841,135
				Other components of equity		(183,322)	(146,210)
				Treasury shares		(143,448)	(101,847)
				Total equity		<u>1,552,817</u>	<u>1,980,408</u>
Total assets		<u>\$2,071,017</u>	<u>\$2,452,633</u>	Total liabilities and equity		<u>\$2,071,017</u>	<u>\$2,452,633</u>

Note: The Company had completed the purchase price allocation of Chander Electronics Corp. and Array Inc. on the control acquisition date, thus the parent company only balance sheet as of December 31, 2022 was adjusted, resulting in a decrease in investments accounted for using the equity method and unappropriated earnings both by NT\$5,691 thousand.

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

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

SOFTSTAR ENTERTAINMENT INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2023 and 2022 (Adjusted)

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

Item	Notes	For the Years Ended December 31,	
		2023	2022
Net sales	4, 6 and 7	\$208,116	\$445,715
Cost of goods sold	7	(25,989)	(75,381)
Gross profit	6 and 7	182,127	370,334
Operating expenses	6 and 7		
Sales and marketing expenses		(39,820)	(49,142)
General and administrative expenses		(161,070)	(110,428)
Research and development expenses		(108,694)	(90,541)
Expected credit gains (losses)		(10,906)	(13,148)
Subtotal		(320,490)	(263,259)
Operating (loss) income		(138,363)	107,075
Non-operating income and expenses	4, 6 and 7		
Interest income		6,286	2,663
Other income		5,902	4,908
Other gains and losses		(10,181)	61,183
Finance costs		(6,038)	(3,978)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method		(155,113)	507,179
Subtotal		(159,144)	571,955
(Loss) Profit before income tax		(297,507)	679,030
Income tax expense	4 and 6	(37,620)	(60,235)
Net (loss) income		(335,127)	618,795
Other comprehensive income (loss)	4 and 6		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		(589)	2,029
Unrealized gains or losses from financial assets at fair value through other comprehensive income (loss)		7,368	(6,146)
Share of other comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for using equity method		5,353	(9,563)
Tax of items that will not be reclassified subsequently to profit or loss		(99)	(216)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for using equity method		(4,938)	7,057
Total other comprehensive income (loss), net of tax		7,095	(6,839)
Total comprehensive income		\$(328,032)	\$611,956
Earnings per share (NTD)	4 and 6		
Earnings per share-basic		\$(3.39)	\$6.20
Earnings per share-diluted		\$(3.39)	\$6.19

Note: The Company had completed the purchase price allocation of Chander Electronics Corp. and Array Inc. on the control acquisition date, thus the parent company only statement of comprehensive income for the year ended December 31, 2022 was adjusted, resulting in a decrease in net income by NT\$5,691 thousand.

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, 2023 and 2022 (Adjusted)
(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 Shares	Total
Balance as of January 1, 2022	\$655,869	\$112,491	\$52,755	\$291,085	\$799,299	\$(11)	\$(247,932)	\$-	\$-	\$1,663,556
Appropriation and distribution of 2021 retained earnings										
Legal reserve	-	-	75,662	-	(75,662)	-	-	-	-	-
Cash dividends	-	-	-	-	(196,761)	-	-	-	-	(196,761)
Stock dividends	196,761	-	-	-	(196,761)	-	-	-	-	-
Reversal of special reserve	-	-	-	(43,142)	43,142	-	-	-	-	-
Net income in 2022	-	-	-	-	618,795	-	-	-	-	618,795
Other comprehensive income (loss) in 2022	-	-	-	-	2,138	7,057	(16,034)	-	-	(6,839)
Total comprehensive income (loss) in 2022	-	-	-	-	620,933	7,057	(16,034)	-	-	611,956
Repurchase of treasury share	-	-	-	-	-	-	-	-	(6,943)	(6,943)
Acquisition of company's stocks by subsidiaries recognized as treasury shares	-	-	-	-	-	-	-	-	(94,904)	(94,904)
Parent company's cash dividends received by subsidiaries	-	4,227	-	-	-	-	-	-	-	4,227
Difference between consideration and carrying amount of subsidiaries acquired	-	2,411	-	-	(36,359)	11	(8)	-	-	(33,945)
Changes in ownership interests in subsidiaries	-	39,211	-	-	(5,989)	-	-	-	-	33,222
Disposal of investments in equity instruments measured at fair value through other comprehensive income (loss)	-	-	-	-	(110,707)	-	110,707	-	-	-
Balance as of December 31, 2022	\$852,630	\$158,340	\$128,417	\$247,943	\$841,135	\$7,057	\$(153,267)	\$-	\$(101,847)	\$1,980,408
Balance as of January 1, 2023	\$852,630	\$158,340	\$128,417	\$247,943	\$841,135	\$7,057	\$(153,267)	\$-	\$(101,847)	\$1,980,408
Appropriation and distribution of 2022 retained earnings										
Legal reserve	-	-	47,063	-	(47,063)	-	-	-	-	-
Cash dividends	-	-	-	-	(127,130)	-	-	-	-	(127,130)
Stock dividends	169,506	-	-	-	(169,506)	-	-	-	-	-
Reversal of special reserve	-	-	-	(101,732)	101,732	-	-	-	-	-
Net loss in 2023	-	-	-	-	(335,127)	-	-	-	-	(335,127)
Other comprehensive income (loss) in 2023	-	-	-	-	(507)	(258)	7,860	-	-	7,095
Total comprehensive income (loss) in 2023	-	-	-	-	(335,634)	(258)	7,860	-	-	(328,032)
Repurchase of treasury shares	-	-	-	-	-	-	-	-	(24,282)	(24,282)
Acquisition of company's stocks by subsidiaries recognized as treasury shares	-	-	-	-	-	-	-	-	(19,403)	(19,403)
Disposal of the parent company's stock by a subsidiary is regarded as a treasury stock transaction	-	2,682	-	-	-	-	-	-	2,084	4,766
Parent company's cash dividends received by subsidiaries	-	4,195	-	-	-	-	-	-	-	4,195
Difference between consideration and carrying amount of subsidiaries acquired	-	982	-	-	-	-	-	-	-	982
Changes in ownership interests in subsidiaries	-	(12,690)	-	-	(7,535)	-	-	-	-	(20,225)
Share-based payment transactions	16,700	109,552	-	-	-	-	-	(44,714)	-	81,538
Balance as of December 31, 2023	\$1,038,836	\$263,061	\$175,480	\$146,211	\$255,999	\$6,799	\$(145,407)	\$(44,714)	\$(143,448)	\$1,552,817

Note: The Company had completed the purchase price allocation of Chander Electronics Corp. and Array Inc. on the control acquisition date, thus the parent company only statement of changes in equity for the year ended December 31, 2022 and the balance as of January 1, 2023 were adjusted.

Note: For the year ended December 31, 2023, employees' compensation and remuneration to directors and supervisors were both NT\$0 thousand, while for the year ended December 31, 2022, employees' compensation and remuneration to directors and supervisors were NT\$21,398 thousand and NT\$7,133 thousand, respectively, and had already been deducted in the statement of comprehensive income.

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, 2023 and 2022 (Adjusted)

(Expressed in Thousands of New Taiwan Dollars)

Description	For the Years Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net (loss) income before tax	\$ (297,507)	\$ 679,030
Adjustments for:		
Depreciation	17,718	15,441
Amortization	4,517	2,462
Expected credit impairment losses	10,906	13,148
Loss on financial assets and liabilities at fair value through profit or loss	5,613	16,207
Interest expense	6,038	3,978
Interest income	(6,286)	(2,663)
Share-based payments expense	72,505	-
Share of gain of associates and joint ventures accounted for using equity method	155,113	(507,179)
Loss on disposal of property, plant and equipment	5	1,558
Gain on disposal of investment	(711)	(706)
Others	82	(100)
Impairment loss of non-financial assets	13	-
Changes in operating assets and liabilities:		
Contract assets	635	20,057
Accounts receivable, net	2,994	(3,343)
Accounts receivable-related parties, net	4,524	(14,129)
Other receivables	(1,079)	(639)
Other receivables-related parties	23,991	(29,162)
Other current assets	(1,965)	-
Prepayment	(36,067)	(22,141)
Contract liabilities	(20,367)	(95,530)
Notes payable	201	-
Accounts payable	(2,014)	(4,090)
Accounts payable-related parties	(3,470)	3,383
Other payables	(22,783)	(9,635)
Other payables-related parties	157	298
Other current liabilities	(1,228)	1,772
Net defined benefit liabilities	(646)	(7,711)
Cash (used in) provided by operations	<u>(89,111)</u>	<u>60,306</u>
Interest received	6,286	2,663
Interest paid	(5,032)	(3,304)
Income tax paid	<u>(15,350)</u>	<u>(294,108)</u>
Net cash used in operating activities	<u>(103,207)</u>	<u>(234,443)</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	\$ (6,093)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	67,397
Acquisition of financial assets at fair value through profit or loss	(7,057)	(6,000)
Acquisition of investments accounted for using equity method	(403,823)	(817,087)
Capital reduction by cash on investments accounted for using the equity method	-	803,232
Acquisition of property, plant and equipment	(8,525)	(3,687)
Proceeds from disposal of property, plant and equipment	64	141
Decrease (increase) in guarantee deposits paid	2,398	(3,203)
Acquisition of intangible assets	(21,665)	(2,701)
Proceeds from disposal of intangible assets	925	-
Decrease (increase) in other financial assets	75,436	(75,575)
Dividends received	<u>360,697</u>	<u>184,260</u>
Net cash (used in) provided by activities	<u>(7,643)</u>	<u>146,777</u>
Cash flows from financing activities:		
Increase in short-term borrowings	187,000	193,000
Decrease in short-term borrowings	(238,000)	-
Proceeds from long-term borrowings	225,000	-
Repayment of long-term borrowings	(86,420)	(76,021)
Repayment of the principal portion of lease liabilities	(13,880)	(13,098)
Cash dividends	(127,130)	(196,761)
Treasury stock transactions	(24,282)	(6,943)
Disposal of ownership interests in subsidiaries (without losing control)	17,228	-
Net cash used in financing activities	<u>(60,484)</u>	<u>(99,823)</u>
Net decrease in cash and cash equivalents	<u>(171,334)</u>	<u>(187,489)</u>
Cash and cash equivalents at beginning of year	<u>351,909</u>	<u>539,398</u>
Cash and cash equivalents at end of year	<u>\$ 180,575</u>	<u>\$ 351,909</u>

Note: The Company had completed the purchase price allocation of Chander Electronics Corp. and Array Inc. on the control acquisition date, thus the parent company only statement of cash flows for the year ended December 31, 2022 was adjusted.

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

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

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. History and organization

Softstar Entertainment Inc. (“the Company”), formerly known as Cyber Power Systems, Inc., was incorporated in August 1998 in the Republic of China and it changed its name to Softstar Entertainment Inc. the same year. The Company main business include online games, game software; instructional software; and research, design, sales of computer peripherals. On August 8, 2001, the Company listed its shares of stock on the Taipei Stock Exchange (TPEX). The Company’ s registered office and the main business location is at 22F.-1, No. 77, Sec. 2, Dunhua S. Road, Taipei, Republic of China (R.O.C.).

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

The parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 were authorized for issue by the Board of Directors on March 29, 2024.

3. Newly issued or revised standards and interpretations

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The adoption of these new standard and amendment had no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

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

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. Apart from items (a) and (c) explained or which the Company for the time being is unable to reasonably estimate the impact of said standards or interpretations on the Company, the remaining standards and interpretations have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

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

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Joint Ventures

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

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

(b) IFRS 17 “Insurance Contracts”

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

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

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

(c) Lack of Exchangeability – Amendments to IAS 21

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. Apart from items (a) explained or which the Company for the time being is unable to reasonably estimate the impact of said standards or interpretations on the Company, the remaining standards and interpretations have no material impact on the Company.

4. Summary of material accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations).

(2) Basis of preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

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

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in NT\$, which is also the Company's functional currency.

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

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

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

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

(4) Translation of financial statements in foreign currency

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

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

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

(6) Cash and cash equivalents

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

(7) Financial instruments

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

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

(A) Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

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

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

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

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

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

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

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

(B) Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

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

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(C) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(D) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(E) Offsetting of financial instruments

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

(8) Fair value measurement

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

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

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

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

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

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

(9) Investments accounted for using the equity method

According to Art. 21 of Regulation Governing the Preparation of Financial Reports by Securities Issuers, the Company's investments in its subsidiaries are presented as Investments accounted for using equity method with necessary adjustments so that the net income and other comprehensive income of individual financial report equal the net income and other comprehensive income attributed to the parent of consolidated financial report, and that the shareholder's equity of individual financial report equals the shareholder's equity attributed to the parent of consolidated financial report. Considering the accounting treatment for investment in subsidiaries specified in IFRS 10 "Consolidated Financial Reports", and the different accounting treatments for different level of investees, necessary adjustments are made by debiting or crediting "Investments accounted for using equity method", "Share of profit or loss of subsidiaries, associates and joint

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ventures accounted for using equity method” , and “Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method” .

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

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

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

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

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint

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venture and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

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

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

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

(10) Property, plant and equipment

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

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

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

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

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

(11) Leases

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

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

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

Company as a lessee

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

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest

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

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

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

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

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

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

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

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

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

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

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

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

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

(12) Intangible assets

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

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

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

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

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

Computer software

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

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

	Computer software	Other intangible assets
Useful lives	Finite	Indefinite
Amortization method used	Amortized on a straight- line basis over the estimated useful life	No amortization. Tested for impairment quarterly.
Internally generated or acquired	Acquired	Acquired

(13) Impairment of non-financial assets

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

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

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

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

(14) Treasury stocks

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

(15) Revenue recognition

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

Rendering of services

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

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

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

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

Costs to fulfill a contract

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

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

(16) Borrowing Costs

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

(17) Government grants

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

(18) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Therefore, fund assets are not included in the Company's parent company only financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

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

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

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

(19) Share-based payment transactions

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

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

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

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

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

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

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

(20) Income taxes

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

Current income tax

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

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

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of

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assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

the same taxable entity and the same taxation authority.

5. Significant accounting judgements, estimates and assumptions

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

(1) Judgement

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

A. Revenue recognition – royalties

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

(2) Estimates and assumptions

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

A. Estimate of variable consideration

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

B. Accounts receivables – estimate of impairment loss

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

C. Fair value of financial instruments

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

D. Impairment of non-financial assets

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

E. Income tax

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

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

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

6. Contents of significant accounts

(1) Cash and cash equivalents

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash on hand & petty cash	\$230	\$250
Checking and saving accounts	180,345	351,659
Total	<u>\$180,575</u>	<u>\$351,909</u>

(2) Accounts receivable and Accounts receivable-related parties

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Accounts receivable	\$26,535	\$29,529
Less: loss allowance	(16,576)	(4,599)
Subtotal	<u>9,959</u>	<u>24,930</u>
Accounts receivable from related parties	17,180	26,077
Less: loss allowance	-	-
Subtotal	<u>17,180</u>	<u>26,077</u>
Total	<u>\$27,139</u>	<u>\$51,007</u>

Accounts receivables were not pledged.

Accounts receivables are generally on 30-90 day terms. The total carrying amount as of December 31, 2023 and 2022 are NT\$43,715 thousand and NT\$55,606 thousand, respectively. Please refer to Note 6 (16) for more details on loss allowance of accounts receivable for the years ended December

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31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(3) Other financial assets

	As of December 31,	
	2023	2022
Reserve account-time deposits	\$-	\$61,420
Reserve account-demand deposits	40,565	54,581
Total	<u>\$40,565</u>	<u>\$116,001</u>
Current	<u>\$3,012</u>	<u>\$96,431</u>
Non-current	<u>\$37,553</u>	<u>\$19,570</u>

Please refer to Note 8 for further details on pledged other financial assets.

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

	As of December 31,	
	2023	2022
Financial assets designated at fair value through profit or loss:		
Cathy Private Equity Smart Technology Limited Partnership	\$12,910	\$12,424
Cathy Private Equity Ecology Limited Partnership	9,293	12,263
Vertex Ventures (SG) SEA V LP	3,928	-
Film investment agreement (Note)	3,000	3,000
Total	<u>\$29,131</u>	<u>\$27,687</u>
Current	<u>\$3,000</u>	<u>\$-</u>
Non-current	<u>\$26,131</u>	<u>\$27,687</u>

Note: The profit generated from the film would be allocated to the Company and other corporations based on the signed investment agreement.

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

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

	As of December 31,	
	2023	2022
Equity instrument investments measured at fair value through other comprehensive income, noncurrent:		

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Over-the-counter stocks		
Newretail Co., Ltd.	\$6,951	\$-
Emerging market stock		
Meimai Technology Co., Ltd (Note)	3,085	3,386
Private company stocks		
Taiwan Smart Card Co.	12,971	6,160
Funfia Inc.	-	-
Total	<u>\$23,007</u>	<u>\$9,546</u>

Note: In January 2023, SNSplus, Inc. was renamed Meimai Technology Co., Ltd.

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

(6) Investments accounted for using the equity method

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

Investees	As of December 31,				
	2023		2022 (Adjusted)		Note
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)	
Investments in subsidiaries:					
Uniplus Electronics Co., Ltd.	\$432,983	43.76%	\$285,701	34.39%	1
Lanjing Ltd.	345,375	100%	353,532	100%	2, 3
Jiwei Technology Ltd.	204,290	100%	190,341	100%	2, 3, 4, 5
Red Sunrise Co., Ltd.	202,091	55.60%	190,447	50.72%	6
Chander Electronics Corp.	129,812	13.02%	118,371	11.26%	2, 3, 7
Gamebase Digital Media Corporation	99,075	100%	123,071	100%	8
JFN Investment Holding Corp.	82,812	100%	84,818	100%	2, 3
Time Vision International Limited	30,355	100%	369,947	100%	
New Profit Holding Limited	26,386	100%	27,074	100%	2, 3
Loftstar Interactive Entertainment Inc.	11,464	100%	-	-%	9
Softstar Animation Limited	6,950	100%	6,807	100%	
Softstar Singapore Private Limited	1,714	100%	-	-%	10
Activision Entertainment Ltd.	886	100%	943	100%	
Zhu International Group Inc.	757	100%	-	-%	11
Subtotal	<u>1,574,950</u>		<u>1,751,052</u>		
Investments in associates:					
Double Edge Entertainment Corp.	11,084	30.31%	12,597	30.31%	
A.R.T. Games Co., Ltd.	360	49%	1,635	49%	
Chia-e International Inc.	-	28.21%	-	28.21%	
Subtotal	<u>11,444</u>		<u>14,232</u>		
Net amount of investments accounted for using the equity method	<u>\$1,586,394</u>		<u>\$1,765,284</u>		
Carrying amount of investments accounted for using the equity method	\$1,586,394		\$1,765,284		
Less: credit balance of investments accounted for using the equity method	-		(33,809)		9
Total	<u>\$1,586,394</u>		<u>\$1,731,475</u>		

Note: In February 2023, Uniplus Electronics Co., Ltd. conducted a private

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

placement for a cash capital increase of NT\$195,000 thousand, totaling 30,000 thousand shares, all of which were subscribed by the Company, resulting in 43.76% shareholding ratio.

Note2: The Company had completed the fair value valuation of Chander Electronics Corp. as of the acquisition date, and the Company directly and through its subsidiaries, Lanjing Ltd., Jiwei Technology Ltd., JFN Investment Holding Corp. and New Profit Holding Limited indirectly held investment in Chander Electronics Corp. accounted for using the equity method as of December 31, 2022, which was reduced by NT\$3,894 thousand.

Note3: On December 31, 2023 and 2022, the Company directly and through its subsidiaries, Lanjing Ltd., Jiwei Technology Ltd., JFN Investment Holding Corp. and New Profit Holding Limited indirectly held 42.49% and 40.73% of Chander Electronics Corp.'s shares, respectively. The financial statements of Chander Electronics Corp. were audited by other auditors.

Note4: The Company had completed the fair value valuation of Array Inc. which was indirectly held by the subsidiary, Jiwei Technology Ltd. as of the acquisition date. The amount of investment accounted for using the equity method of Array Inc. as of December 31, 2022 was adjusted and was reduced by NT\$1,797 thousand.

Note5: The Company through its subsidiary, Jiwei Technology Ltd., indirectly held 36.17% and 41.42% of shareholdings of Array Inc. on December 31, 2023 and 2022. The financial statements of Array Inc. were audited by other auditors.

Note6: In July 2023, the Company acquired 680 thousand shares of Red Sunrise Co., Ltd. from its original shareholders, resulting in an increase in ownership to 55.60%.

Note7: In March 2023, the Company acquired 2,000 thousand shares of Chander Electronics Corp. from Uniplus Electronics Co., Ltd. for NT\$48,200 thousand, increasing its shareholdings to 13.74%. The Company sold a total of 582 thousand shares of Chander Electronics Corp. during December 2023, thus the Company's shareholding ratio reduced to 13.02%.

Note8: On December 31, 2023 and 2022, the Company through the subsidiary, Gamebase Digital Media Corporation, indirectly held 35.72% and 34.25% shareholdings of Niusnews Co., Ltd. The financial statements of Niusnews Co., Ltd. were audited by other auditors.

Note9: On December 31, 2022, the investments accounted for using equity method of Loftstar Interactive Entertainment Inc. was recognized in credit balance.

Note 10: The Company established Softstar Singapore Private Limited registered in Singapore with 100% shareholdings, and the investment amount was NT\$3,191 thousand.

Note 11: The Company invested and established Zhu International Group Inc. on December 12, 2023.

A. Investment in subsidiaries

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

The investments in subsidiaries were represented as “investments accounted for using the equity method” and adjusted for valuation if necessary.

B. Investment in associates

The Company’s investments in Double Edge Entertainment Corp., A.R.T. Games Co., Ltd., and Chia-e International Inc. are not individually material. The aggregate carrying amount of the Company’s interests in Double Edge Entertainment Corp., A.R.T. Games Co., Ltd., and Chia-e International Inc. is NT\$11,444 thousand and NT\$14,232 thousand as of December 31, 2023 and 2022. The aggregate financial information of the Company’s investments is as follows:

	For the years ended December, 31	
	2023	2022
Loss from continuing operations	\$(7,573)	\$(9,960)
Other comprehensive income (net of tax)	-	2
Total comprehensive loss	<u>\$(7,573)</u>	<u>\$(9,958)</u>

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

	Gain (loss) on investment For the years ended December 31	
	2023	2022
Double Edge Entertainment Corp.	\$(1,507)	\$(705)
A.R.T. Games Co., Ltd.	(1,275)	(1,788)
Total	<u>\$(2,782)</u>	<u>\$(2,493)</u>

D. The aforementioned the subsidiaries and associates had no contingent liabilities or capital commitments as of December 31, 2023 and 2022. Please refer to Note 8 for further details on pledged bank borrowings.

E. We did not audit the financial statements of certain investments accounted for using the equity method. Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included

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for those investee companies accounted for using equity method and information disclosed in Note 13 relating to these equity investments, is based solely on the audit reports of other auditors. The investment accounted for using the equity method amounted to NT\$861,515 thousand and NT\$860,850 thousand, representing 42% and 35% of total assets as of December 31, 2023 and 2022, respectively. The related shares of profit or loss from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(43,075) thousand and NT\$(63,866) thousand, representing 14% of the loss before tax and (9)% of the profit before tax for the years ended 31 December, 2023 and 2022, respectively, and the related shares of other comprehensive income (loss) from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(15,852) thousand and NT\$(8,819) thousand, representing (223)% and 129% of the other comprehensive income for the years ended 31 December, 2023 and 2022, respectively.

(7) Property, plant and equipment

	As of December 31,			
	2023		2022	
Owner occupied property, plant and equipment	<u>\$8,826</u>		<u>\$4,605</u>	
	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost:				
As of January 1, 2023	\$6,423	\$11,328	\$2,807	\$20,558
Additions	951	2,159	5,415	8,525
Disposals	(18)	(586)	-	(604)
Transfers	537	(537)	-	-
As of December 31, 2023	<u>\$7,893</u>	<u>\$12,364</u>	<u>\$8,222</u>	<u>\$28,479</u>
As of January 1, 2022	\$6,045	\$11,860	\$2,814	\$20,719
Additions	269	611	2,807	3,687
Disposals	(16)	(1,018)	(2,814)	(3,848)
Transfers	125	(125)	-	-
As of December 31, 2022	<u>\$6,423</u>	<u>\$11,328</u>	<u>\$2,807</u>	<u>\$20,558</u>
Depreciation and impairment:				
As of January 1, 2023	\$5,933	\$10,021	\$539	\$16,493
Depreciation	566	717	2,412	3,695

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Disposals	(18)	(517)	-	(535)
Transfers	(362)	362	-	-
As of December 31, 2023	<u>\$6,119</u>	<u>\$10,583</u>	<u>\$2,951</u>	<u>\$19,653</u>
As of January 1, 2022	\$5,337	\$10,027	\$926	\$16,290
Depreciation	607	892	853	2,352
Disposals	(16)	(893)	(1,240)	(2,149)
Transfers	5	(5)	-	-
As of December 31, 2022	<u>\$5,933</u>	<u>\$10,021</u>	<u>\$539</u>	<u>\$16,493</u>
Net carrying amounts as of:				
December 31, 2023	<u>\$1,774</u>	<u>\$1,781</u>	<u>\$5,271</u>	<u>\$8,826</u>
December 31, 2022	<u>\$490</u>	<u>\$1,307</u>	<u>\$2,268</u>	<u>\$4,065</u>

Property, plant and equipment were not pledged.

(8) Intangible assets

	Computer software	Other intangible assets	Total
Cost:			
As of January 1, 2023	\$16,634	\$-	\$16,634
Addition-acquired separately	8,827	12,838	21,665
Deduction-derecognized	(2,963)	(1,260)	(4,223)
As of December 31, 2023	<u>\$22,498</u>	<u>\$11,578</u>	<u>\$34,076</u>
As of January 1, 2022	\$17,451	\$-	\$17,451
Addition-acquired separately	2,701	-	2,701
Deduction-derecognized	(3,518)	-	(3,518)
As of December 31, 2022	<u>\$16,634</u>	<u>\$-</u>	<u>\$16,634</u>
Amortization and impairment:			
As of January 1, 2023	\$15,138	\$-	\$15,138
Amortization	4,517	-	4,517

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Impairment	-	13	13
Deduction-derecognized	(2,963)	-	(2,963)
As of December 31, 2023	<u>\$16,692</u>	<u>\$13</u>	<u>\$16,705</u>
As of January 1, 2022	\$16,194	\$-	\$16,194
Amortization	2,462	-	2,462
Deduction-derecognized	(3,518)	-	(3,518)
As of December 31, 2022	<u>\$15,138</u>	<u>\$-</u>	<u>\$15,138</u>
Net carrying amount as of:			
December 31, 2023	<u>\$5,806</u>	<u>\$11,565</u>	<u>\$17,371</u>
December 31, 2022	<u>\$1,496</u>	<u>\$-</u>	<u>\$1,496</u>

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

	For the years ended	
	December, 31	
	2023	2022
Operating costs	<u>\$-</u>	<u>\$-</u>
Sales and marketing expenses	<u>\$68</u>	<u>\$-</u>
General and administrative expenses	<u>\$290</u>	<u>\$201</u>
Research and development expenses	<u>\$4,159</u>	<u>\$2,261</u>

(9) Short-term borrowings

	As of December 31, 2023		
	Interest Rate	Expiration date	Amount
Secured loan	2.38%~2.50%	September 23, 2024	<u>\$142,000</u>
	As of December 31, 2022		
	Interest Rate	Expiration date	Amount
Secured loan	2.06%~2.51%	December 27, 2023	<u>\$193,000</u>

The Company's unused short-term line of credit amounted to NT\$30,000 thousand and

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NT\$45,000 thousand as of December 31, 2023 and 2022.

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

(10) Other payables

	As of December 31,	
	2023	2022
Salary payable	\$23,824	\$50,498
Professional service fees payable	6,032	2,911
VAT payable	2,812	2,161
Insurance payable	2,216	1,997
Other accrued expenses	4,085	4,185
Total	<u>\$38,969</u>	<u>\$61,752</u>

(11) Long-term borrowings

Details of long-term loans are as follows:

Lenders	As of December 31, 2023	Interest Rate (%)	Maturity date and terms of repayment
Bank of Panhsin secured loan	\$45,993	2.84%	Repayable monthly from September 11, 2023 to September 11, 2026 and interest paid monthly.
Land Bank of Taiwan secured loan	30,000	2.53%	From December 28, 2023 to December 28, 2026, the interest is paid monthly and the principal of loans should be refunded at maturity.
The Shanghai Commercial & Savings Bank secured loan	26,777	2.50%	Repayable monthly from August 24, 2023 to August 24, 2026 and interest is paid monthly.
Taishin International Bank secured loan	26,667	2.65%	Repayable monthly from July 31, 2023 to July 31, 2026 and interest is paid monthly.
First Bank unsecured loan	24,343	2.53%	Repayable monthly from May 29, 2023 to May 29, 2026 and interest is paid monthly.
Taichung Commercial Bank secured loan	21,875	3.10%	From February 8, 2023 to February 8, 2025, the interest is paid monthly and the principal is paid back quarterly.
Shin Kong Bank secured loan	20,000	2.86%	Repayable monthly from December 1, 2023 to December 1, 2025 and interest is paid monthly.
Taiwan Cooperative Bank secured loan	14,476	2.64%	Repayable monthly from December 24, 2020 to December 24, 2025 and interest is paid monthly.
The Shanghai Commercial & Savings Bank secured loan	2,579	2.50%	Repayable monthly from March 8, 2021 to March 8, 2024 and interest is paid monthly.
Subtotal	<u>\$212,710</u>		
Less: current portion	<u>(83,114)</u>		
Total	<u>\$129,596</u>		

Lenders	As of December 31, 2022	Interest Rate (%)	Maturity date and terms of repayment
Bank of Panhsin secured loan	\$26,798	2.60%	Repayable monthly from July 26, 2021 to July 26, 2024 and interest paid monthly.
Taiwan Cooperative Bank secured loan	21,437	2.39%	Repayable monthly from December 24, 2020 to December 24, 2025 and interest is paid monthly.

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The Shanghai Commercial & Savings Bank secured loan	12,732	2.48%	Repayable monthly from March 8, 2021 to March 8, 2024 and interest is paid monthly.
Cathy United Bank secured loan	8,884	2.52%	Repayable monthly from July 30, 2021 to July 30, 2023 and interest is paid monthly.
First Bank unsecured loan	4,279	2.52%	Repayable monthly from June 12, 2020 to June 12, 2023 and interest is paid monthly.
Subtotal	<u>74,130</u>		
Less: current portion	<u>(47,089)</u>		
Total	<u>\$27,041</u>		

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

(12) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 are NT\$6,023 thousand and NT\$5,225 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the regulations for revenues, expenditures, safeguard and utilization of the labor retirement fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the

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competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$381 thousand to its defined benefit plan during the 12 months after December 31, 2023.

The weighted-average durations of the defined benefits plan obligation were 9 and 10 years as of December 31, 2023 and 2022, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2023 and 2022:

	For the years ended December 31,	
	2023	2022
Current period service costs	\$-	\$39
Interest income or expense	117	131
Total	<u>\$117</u>	<u>\$170</u>

Reconciliation of present value of the pension obligation under defined benefit pension plans and fair value of the plan assets are as follows:

	As of		
	December 31, 2023	December 31, 2022	January 1, 2022
Present value of the pension obligation under defined benefit pension plans	\$20,446	\$24,796	\$26,001
Fair value of plan assets	(11,595)	(15,806)	(7,262)
Net defined benefit liabilities, noncurrent	<u>\$8,851</u>	<u>\$8,990</u>	<u>\$18,739</u>

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

	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(assets)
As of January 1, 2022	\$26,001	\$(7,262)	\$18,739
Current period service costs	39	-	39
Net interest expense (income)	182	(51)	131
Subtotal	221	(51)	170
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(1,495)	-	(1,495)
Experience adjustments	69	(603)	(534)
Subtotal	(1,426)	(603)	(2,029)
Payments from the plan	-	-	-

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Contributions by employer	-	(7,890)	(7,890)
As of December 31, 2022	24,796	(15,806)	8,990
Current period service costs	-	-	-
Net interest expense (income)	323	(206)	117
Subtotal	323	(206)	117
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in population assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	187	-	187
Experience adjustments	426	(24)	402
Subtotal	613	(24)	589
Payments from the plan	(5,286)	5,286	-
Contributions by employer	-	(845)	(845)
As of December 31, 2023	<u>\$20,446</u>	<u>\$(11,595)</u>	<u>\$8,851</u>

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

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Discount rate	1.20%	1.30%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis:

	<u>2023</u>		<u>2022</u>	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	\$-	\$(459)	\$-	\$(590)
Discount rate decrease by 0.25%	474	-	609	-
Future salary increase by 0.25%	417	-	541	-
Future salary decrease by 0.25%	-	(408)	-	(528)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

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

(13) Equities

(A) Common stock

The Company's authorized capital was NT\$1,300,000 thousand as of December 31, 2023 and 2022. The Company has issued capital amounted to NT\$1,038,836 thousand and NT\$852,630 thousand, with 103,884 thousand shares and 85,263 thousand shares, respectively, each at a par value of NT\$10. Each share has one voting right and a right to receive dividends.

The shareholders' meeting held on May 27, 2022 approved the issuance of 19,676 thousand shares of common stock from unappropriated retained earnings in the amount of NT\$196,761 thousand, at a par value of NT\$10 per share. The base date for capital increase was September 19, 2022, and the registration was completed.

The shareholders' meeting held on June 26, 2023 approved the issuance of 16,951 thousand shares of common stock from unappropriated retained earnings in the amount of NT\$169,506 thousand, at a par value of NT\$10 per share. The base date for capital increase was September 3, 2023, and the registration was completed.

On August 11, 2023, the Board of Directors of the Company resolved to issue 1,670 thousand restricted employee stock, at a par value of NT\$10 per share, totaling NT\$16,700 thousand. This capital increase plan was approved for effective registration by the competent authority on July 31, 2023. The capital increase date was set as August 11, 2023. The addition in capital was approved and registered by the competent authority on September 1, 2023.

(B) Capital surplus

	As of December,	
	2023	2022
Additional Paid-in Capital	\$167,137	\$112,360

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Restricted employee stock	54,776	-
Difference between consideration and carrying amount of subsidiaries acquired	20,741	2,532
Treasury shares	11,104	4,227
Share of changes in net assets of associates and joint ventures accounted for using equity method	9,303	39,221
Total	\$263,061	\$158,340

According to the Company Act, the capital reserve shall not be used except for offset the deficit of the company. When a company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the per value of capital and donations. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares.

(C) Treasury stocks

On December 13, 2022, the Board of Directors meeting resolved to repurchase treasury stocks. 510 shares were repurchased in the amount of NT\$31,225 thousand from December 14, 2022 to February 13, 2023. The actual number of shares repurchased was less than the expected 1,000 thousand shares, due to the protection of shareholders' interest and the consideration of market mechanisms. This adjustment in the repurchase strategy was influenced by the changes in market price and trading volume.

The details of the carrying amounts and the number of shares held by the Company and its subsidiaries were as follows:

	Amount (in thousand NT\$)	
	As of December 31,	
	2023	2022
The Company	\$31,225	\$6,943
Uniplus Electronics Co., Ltd.	89,636	70,443
Chander Electronics Corp.	10,677	12,942
Toptrend Technologies Corp.	11,910	11,519
Total	\$143,448	\$101,847
	Number of shares	

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

	(in thousands)	
	As of December 31,	
	2023	2022
The Company	510	124
Uniplus Electronics Co., Ltd.	6,370	5,326
Chander Electronics Corp.	623	621
Toptrend Technologies Corp.	821	686
Total	<u>8,324</u>	<u>6,757</u>

(D) Retained earnings and dividend policies

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

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

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

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

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

Details of the 2022 and 2021 earnings distribution and dividends per share approved by the

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Board of Directors and the shareholder's meeting held on June 26, 2023 and May 27, 2022, respectively, were as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2022	2021	2022	2021
Legal reserve appropriated	\$47,063	\$75,662		
Special reserve reversed	(101,732)	(43,142)		
Cash dividend on common stock	127,130	196,761	\$1.47	\$3
Share dividend on common stock	169,506	196,761	1.96	3

The appropriation of 2023 unappropriated retained earnings has not yet been resolved by the Board of Directors as of the reporting date.

Please refer to Note 6 (18) for details on employees' compensation and remuneration to directors and supervisors.

(14) Share-based payment plans

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

(A) On June 26, 2023, the shareholders' meeting of the Company resolved to issue 2,500 thousand restricted stocks in installments, applicable to issue in one tranche or in installments within two years from the resolution date. Each share shall be issued at a par value of NT\$0, provided as non-cash consideration through gratuitous distribution to employees. On August 11, 2023, the Board of Directors resolved to issue 1,670 thousand restricted ordinary shares to employees, and the price per share on the grant date was NT\$75.60. The share-based payment plan was as follows:

Type of grant	Date of grant	Total numbers of options granted (unit)	Contract period	Vesting Conditions
Restricted employee stock plan (Note 1)	August 11, 2023	1,670,000	16 months	Achievement of performance conditions (Note 2)

Note 1: The restricted employee stock rights issued by the Company were not transferable during the contract period, but they did not restrict voting rights and included in the distribution of dividends. Employees who leave during the vested period were

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

required to return the shares without the need to return the dividends obtained.

Note 2: Employees who are still employed by the Company as of the grant date of the restricted stocks for employees with grade A in the latest performance appraisal shall be entitled to 50% of the allocated shares. Employees who remain employed by the Company for 16 months from the grant date of the restricted stocks for employees with grade A in the latest performance appraisal as of the grant date shall be entitled to the remaining 50% of the allocated shares.

As of December 31, 2023, since the employees have not yet met the vesting conditions, the balance of unearned compensation accounted for the deduction of equity was NT\$44,714 thousand, which would be recognized as salary expenses in future vesting period.

(B) The expense recognized for employee services received for the year ended December 31, 2023, is shown in the following table:

	<u>For the year ended December 31, 2023</u>
Total expense arising from equity-settled share-based payment transactions	<u><u>\$72,505</u></u>

(15) Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Rendering of service	<u>\$208,116</u>	<u>\$445,715</u>

Analysis of revenue from contracts with customers during the years ended December 31, 2023 and 2022 are as follows:

(A) Disaggregation of revenue

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Timing of revenue recognition:		
At a point in time	\$86,052	\$156,302

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Over time	122,064	289,413
Total	<u>\$208,116</u>	<u>\$445,715</u>

(B) Contract balances

Net contract assets (liabilities) are as follows:

	December 31, 2023	December 31, 2022	Difference	%
Contract assets, current	\$-	\$2,421	\$(2,421)	(100%)
Contract assets, noncurrent	6,495	3,638	2,857	79%
Contract liabilities, current	(19,805)	(14,232)	(5,573)	39%
Contract liabilities, noncurrent	-	(25,940)	25,940	(100%)

Contract assets increased by NT\$436 thousand from December 31, 2022 to December 31, 2023, because the new film and television licensing contracts in 2023 were entitled to collect the consideration beyond one year and recognized as non-current contract assets. In the current year, certain contract assets were reclassified to accounts receivable as the payment rights were obtained.

Contract liabilities decreased by NT\$20,367 thousand from December 31, 2022 to December 31, 2023 was mainly due to the launch of some projects, the contract liabilities were transferred to operating revenue.

(C) Transaction price allocated to unsatisfied performance obligations

The Company's transaction price allocated to unsatisfied performance obligations amounted to NT\$19,805 thousand as of December 31, 2023. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

The Company's transaction price allocated to unsatisfied performance obligations amounted to NT\$40,172 thousand as of December 31, 2022. Management expects that the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

(16) Expected credit losses/ (gains)

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

	For the years ended	
	December 31,	
	2023	2022
Operating expenses – Expected credit losses/(gains)		
Contract assets	\$(1,071)	\$8,930
Accounts receivable	11,977	4,218
Total	<u>\$10,906</u>	<u>\$13,148</u>

The credit risk for the Company's financial assets measured at amortized cost were assessed as low (the same as the assessment result in the beginning of the period) as of December 31, 2023 and 2022. As the Company's trade partners are financial institutions with good credit, the loss allowance was NT\$0 thousand measured at a loss ratio of 0%.

The Company measures the loss allowance of its contract assets and trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessments of the Company's loss allowance as of December 31, 2023 and 2022 are as follows:

- (A) The gross carrying amount of contract assets are NT\$6,495 thousand and NT\$6,059 thousand as of December 31, 2023 and 2022, respectively. The loss allowance amounts to NT\$0 where an expected credit loss ratio of 0% is used.
- (B) The Company groups its trade receivables by counterparties' credit rating, geographical region and industry sector, and its loss allowance is measured by using a provision matrix, details are as follow:

As of December 31, 2023

Group 1

	Not yet due	Overdue			Total	
		<=30 days	31-60 days	61-150 days		>=151 days
Gross carrying amount	\$23,437	\$409	\$348	\$3,464	\$16,057	\$43,715
Loss ratio	-%	-%	7.86%	16.34%	99.54%	
Lifetime expected credit losses	-	-	(27)	(566)	(15,983)	(16,576)
Subtotal	<u>\$23,437</u>	<u>\$409</u>	<u>\$321</u>	<u>\$2,898</u>	<u>\$74</u>	<u>\$27,139</u>

As of December 31, 2022

Group 1

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

	Not yet due	Overdue				Total
		<=30 days	31-60 days	61-150 days	>=151 days	
Gross carrying amount	\$34,809	\$1,716	\$-	\$19,081	\$-	\$55,606
Loss ratio	-%	-%	-%	24.10%	-%	
Lifetime expected credit losses	-	-	-	(4,599)	-	(4,599)
Subtotal	\$34,809	\$1,716	\$-	\$14,482	\$-	\$51,007

- (C) The Company measures the loss allowance of its other receivable at an amount equal to lifetime expected credit losses. The Company recognized NT\$0 thousand allowance loss as of December 31, 2023 and 2022.

The movement in the provision for impairment of contract assets and accounts receivable during the years ended December 31, 2023 and 2022 is as follows:

	Contract Assets	Accounts Receivable
As of January 1, 2023	\$-	\$4,599
Addition/(reversal) for the current period	(1,071)	11,977
Write off due to inability to receive	1,071	-
As of December 31, 2023	\$-	\$16,576
As of January 1, 2022	\$-	\$381
Addition/(reversal) for the current period	8,930	4,218
Write off due to inability to receive	(8,930)	-
As of December 31, 2022	\$-	\$4,599

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

(17) Leases

A. Company as a lessee

The Company leases various properties, including buildings and transportation equipment. The lease terms range from 1 to 5 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

(A) Amounts recognized in the balance sheet

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

c. Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2023	2022
Buildings	\$32,890	\$24,990
Vehicles	-	6,338
Total	<u>\$32,890</u>	<u>\$31,328</u>

The Company's right-of-use assets increased by NT\$30,610 thousand and NT\$26,502 thousand as for the years ended December 31, 2023 and 2022.

d. Lease liabilities

	As of December 31,	
	2023	2022
Lease liabilities	<u>\$34,589</u>	<u>\$32,131</u>
Current	\$13,103	\$17,996
Non-current	\$21,486	\$14,135

Please refer to Note 6 (19) (D) for the interest on lease liabilities recognized during the years ended December 31, 2023 and 2022 and Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as of December 31, 2023 and 2022.

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

Depreciation expense of right-of-use assets

	For the year ended December 31,	
	2023	2022
Buildings	\$13,495	\$12,137
Vehicles	528	952
Total	<u>\$14,023</u>	<u>\$13,089</u>

(C) Income and costs relating to leasing activities

For the year ended
December 31,

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

	2023	2022
The expenses relating to short-term leases	\$4,606	\$2,006
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	96	109

(D) Cash outflow relating to leasing activities

During the years ended December 31, 2023 and 2022, the Company's total cash outflows for leases amounting to NT\$18,582 thousand and NT\$15,213 thousand, respectively.

B. Company as a lessor

As of December 31, 2023, the operating lease contract of property signed by the Company had matured. The total amount of undiscounted lease payment uncollected amounted to NT\$0 thousand and NT\$1,926 thousand as of December 31, 2023 and 2022, respectively.

	For the years ended December 31,	
	2023	2022
Rental income from operating lease		
Fixed rental	\$5,332	\$3,374

(18) Summary statement of employee benefits, depreciation and amortization expense by function during the years ended December 31, 2023 and 2022:

	For the years ended December 31,					
	2023			2022		
	ing costs	expenses	tal unt	ing Costs	expenses	tal unt
benefits expense						
Salaries	\$-	\$195,002	\$195,002	\$-	\$133,759	\$133,759
Labor and health insurance	-	12,703	12,703	-	11,616	11,616
Pension	-	6,140	6,140	-	5,395	5,395
Directors' remuneration	-	1,800	1,800	-	8,783	8,783
Other employee benefits expense	-	6,094	6,094	-	6,227	6,227
ion	-	17,718	17,718	-	15,441	15,441

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

ion	-	4,517	4,517	-	2,462	2,462
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The number of employees for the Company as of December 31, 2023 and 2022 was 161 and 138, respectively, of which the number of directors were not concurrent employees was 4 and 6, respectively.

The average number of employees for the Company in 2023 and 2022 was 148 and 129 respectively.

The Company's average employee benefit expenses for the years ended December 31, 2023 and 2022 were NT\$1,486 thousand and NT\$1,224 thousand, respectively.

The Company's average salary expenses for the years ended December 31, 2023 and 2022 were NT\$1,318 thousand and NT\$1,045 thousand, respectively. The Company's average salary expenses adjustment for the year ended December 31, 2023 changed by (26.12%).

There is no compensation to supervisors for the years ended December 31, 2023 and 2022, as the company set up an audit committee instead of appointing supervisors.

According to the Articles of Incorporation, no less than 3% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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

Based on the profit for the year ended December 31, 2022, the Company estimated the amounts of

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 to be 3% of profit of the current year and 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 amount to NT\$21,398 thousand and NT\$7,133 thousand, respectively. The shareholders' meeting held on June 26, 2023 resolved to distribute NT\$21,398 thousand and NT\$7,133 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2022, with no material variance with the estimated amount accrued in the financial statements for the year ended December 31, 2022.

For the year ended December 31, 2023, the Company incurred a net loss after tax, hence employees' compensation and remuneration to directors and supervisors were not estimated.

(19) Non-operating income and expenses

(A) Interest income

	For the years ended	
	December 31,	
	2023	2022
Financial assets measured at amortized cost	\$6,286	\$2,663

(B) Other income

	For the years ended	
	December 31,	
	2023	2022
Rental income	\$5,332	\$3,374
Tax refund	15	17
Other income	555	1,517
Total	\$5,902	\$4,908

(C) Other gains and losses

	For the years ended	
	December 31,	
	2023	2022
Gains on disposal of investments	\$711	\$706
Gains on lease modification	253	98
Losses from financial assets at fair value through profit or loss	(5,613)	(16,207)
Foreign exchange (losses) gains, net	(4,536)	78,144
Losses on disposal of intangible assets	(335)	-

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Impairment loss from non-financial assets	(13)	-
Losses on disposal of property, plant and equipment	(5)	(1,558)
Others	(643)	-
Total	\$(10,181)	\$61,183

(D) Finance costs

	For the years ended	
	December 31,	
	2023	2022
Interest on borrowings from bank	\$5,032	\$3,304
Interest on lease liabilities	1,006	674
Total	\$6,038	\$3,978

(20) Components of other comprehensive loss

For the year ended December 31, 2023:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(589)	\$-	\$(589)	\$(99)	\$(688)
Unrealized gains or losses from financial assets at fair value through other comprehensive income	7,368	-	7,368	-	7,368
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	5,353	-	5,353	-	5,353
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(4,938)	-	(4,938)	-	(4,938)
Total of other comprehensive loss	\$7,194	\$-	\$7,194	\$(99)	\$7,095

For the year ended December 31, 2022:

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (loss)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$2,029	\$-	\$2,029	\$(216)	\$1,813
Unrealized gains or losses from financial assets at fair value through other comprehensive income	(6,146)	-	(6,146)	-	(6,146)
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	(9,563)	-	(9,563)	-	(9,563)
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	7,057	-	7,057	-	7,057
Total of other comprehensive loss	<u>\$ (6,623)</u>	<u>\$-</u>	<u>\$ (6,623)</u>	<u>\$ (216)</u>	<u>\$ (6,839)</u>

(21) Income tax

The major components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

(A) Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2023	2022
Current income tax expense (income):		
Current income tax charge	\$51,924	\$64,310
Tax adjustments on prior years	5,542	(7,087)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(19,846)	3,012
Total income tax expense	<u>\$37,620</u>	<u>\$60,235</u>

(B) Income tax expense recognized in other comprehensive income

	For the years ended December 31,	
	2023	2022
Deferred tax expense (income)		
Remeasurements of defined benefit plans	\$99	\$216

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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

	For the years ended December 31,	
	2023	2022 (Adjusted)
Accounting profit (loss) before tax from continuing operations	<u>\$(297,506)</u>	<u>\$679,030</u>
Tax at the domestic rates applicable to profits in the country concerned	\$(59,501)	\$135,806
Tax effect of revenues exempt from taxation	96,486	(74,715)
Tax adjustments on prior years	5,542	(7,087)
Tax effect of deferred tax assets/liabilities	(9,148)	(32,369)
Overseas withholding tax	4,241	22,071
Additional income tax on unappropriated earnings	-	16,529
Total income tax expense (income) recognized in profit or loss	<u>\$37,620</u>	<u>\$60,235</u>

(C) Deferred tax assets (liabilities) relate to the following

For the year ended December 31, 2023

	Beginning balance as of January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31, 2023
Temporary differences				
Unrealized bad debt expenses	\$809	\$2,419	\$-	\$3,228
Investment Losses	-	14,194	-	14,194
Unrealized impairment loss	-	2,395	-	2,395
Defined benefit liability, non-current	1,798	71	(99)	1,770
Unrealized foreign exchange losses	-	28	-	28
Unrealized foreign exchange gains	(900)	900	-	-
Others	1,067	(161)	-	906
Deferred tax income/ (expense)		<u>\$19,846</u>	<u>\$(99)</u>	
Net deferred tax assets/(liabilities)	<u>\$2,774</u>			<u>\$22,521</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$3,674</u>			<u>\$22,521</u>
Deferred tax liabilities	<u>\$900</u>			<u>\$-</u>

For the year ended December 31, 2022

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

	Beginning balance as of January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of December 31, 2022
Temporary differences				
Unrealized bad debt expenses	\$-	\$809	\$-	\$809
Unrealized foreign exchange losses	978	(978)	-	-
Unrealized foreign exchange gains	(5)	(895)	-	(900)
Defined benefit liability, non-current	3,749	(1,735)	(216)	1,798
Others	1,280	(213)	-	1,067
Deferred tax income/ (expense)		<u>\$ (3,012)</u>	<u>\$ (216)</u>	
Net deferred tax assets/(liabilities)	<u>6,002</u>			<u>\$2,774</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$6,007</u>			<u>\$3,674</u>
Deferred tax liabilities	<u>\$5</u>			<u>\$900</u>

The assessment of income tax returns

As of December 31, 2023, the income tax returns of the Company have been assessed and approved up to 2020.

(22) Earnings per share

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

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

	For the years ended December 31,	
	2023	2022 (Adjusted)
(A) Basic earnings (losses) per share		
Net (loss) income attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$ (335,127)</u>	<u>\$618,795</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>98,735</u>	<u>99,877</u>
Basic earnings (losses) per share (NT\$)	<u>\$ (3.39)</u>	<u>\$6.20</u>

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(B) Diluted earnings (losses) per share

Net (loss) income attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$(335,127)	\$618,795
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	98,735	99,877
Effect of dilution:		
Employee compensation-stock (in thousands)	(Note)	81
Weighted average number of ordinary shares outstanding after dilution (in thousands)	(Note)	99,958
Weighted average outstanding ordinary shares (effects adjusted after dilution) (in thousands)	98,735	99,958
Diluted earnings (losses) per share (NT\$)	\$(3.39)	\$6.19

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

Note: For the year ended December 31, 2023, the net loss caused the potential ordinary shares into anti-dilutive.

7. Related party transactions

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

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Global Angel Investments Limited	The chairman of the Company is the chairman of this company
Bacchus Wine Group Co., Ltd.	The chairman of the Company is the chairman of this company
Care & Love Wine Co., Ltd.	The chairman of the Company is the chairman of this company
Galaxy Power Holdings Limited	Other related party
Loftstar Interactive Entertainment Inc.	Subsidiary
Gamebase Digital Media Corporation	Subsidiary
Time Vision International Limited	Subsidiary
Red Sunrise Co., Ltd.	Subsidiary
Chander Electronics Corp.	Subsidiary
Green Bless Co., Ltd.	Subsidiary
Array Taiwan Inc.	Subsidiary
Array Inc.	Subsidiary
San Jiang Electric MFG. Co., Ltd.	Subsidiary
A.R.T. Games Co., Ltd.	Associate
Double Edge Entertainment Corp.	Associate

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Significant transactions with the related parties

(1) Rendering of services

	For the years ended	
	December 31,	
	2023	2022
Subsidiaries		
Loftstar Interactive Entertainment Inc.	\$46,946	\$42,476
Green Bless Co., Ltd.	600	600
Red Sunrise Co., Ltd.	136	-
Time Vision International Limited	-	2,421
Gamebase Digital Media Corporation	-	1,660
Other related parties		
Bacchus Wine Group Co., Ltd.	625	1,307
Galaxy Power Holdings Limited	-	480
Care & Love Wine Co., Ltd.	-	450
Total	<u>\$48,307</u>	<u>\$49,394</u>

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

(2) Operating costs

	For the years ended	
	December 31,	
	2023	2022
Subsidiary		
Loftstar Interactive Entertainment Inc.	\$7,504	\$11,178
Other related parties		
Double Edge Entertainment Corp.	270	444
Total	<u>\$7,774</u>	<u>\$11,622</u>

Operating costs relate to subsidiary database fees and royalty costs.

(3) Accounts receivable-related parties

	As of December 31,	
	2023	2022
Subsidiaries		
Loftstar Interactive Entertainment Inc.	\$17,127	\$25,920
Green Bless Co., Ltd.	53	53
Other related parties		
Bacchus Wine Group Co., Ltd.	-	78
Care & Love Wine Co., Ltd.	-	26
Total	<u>\$17,180</u>	<u>\$26,077</u>

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(4) Contract assets

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiary		
Time Vision International Limited	\$-	\$2,421

(5) Other receivables-related parties

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
Gamebase Digital Media Corporation	\$1,955	\$-
Loftstar Interactive Entertainment Inc.	1,659	26,421
Chander Electronics Corp.	463	-
San Jiang Electric MFG. Co., Ltd.	192	-
Array Taiwan Inc.	-	1,783
Array Inc.	-	56
Total	<u>\$4,269</u>	<u>\$28,260</u>

Other receivables-related parties mainly related to subsidiary assistance of daily operations and office rental.

(6) Prepayment

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
Loftstar Interactive Entertainment Inc.	\$19,048	\$-
Gamebase Digital Media Corporation	1,905	1,905
Associates		
A.R.T. Games Co., Ltd.	-	7,619
Double Edge Entertainment Corp.	904	1,079
Other related party		
Global Angel Investments Limited	435	165
Total	<u>\$22,292</u>	<u>\$10,768</u>

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

(7) Refundable deposits

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Other related party		

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Global Angel Investments Limited	<u>\$1,344</u>	<u>\$495</u>
 (8) Accounts payable-related parties		
	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiary		
Loftstar Interactive Entertainment Inc.	<u>\$2,120</u>	<u>\$5,590</u>
 (9) Other payables-related parties		
	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
San Jiang Electric MFG. Co., Ltd.	\$438	\$-
Loftstar Interactive Entertainment Inc.	10	8
Chander Electronics Corp.	7	-
Other related parties		
Bacchus Wine Group Co., Ltd.	-	129
Care & Love Wine Co., Ltd.	-	161
Total	<u>\$455</u>	<u>\$298</u>

(10) Property transactions

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

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
Loftstar Interactive Entertainment Inc.	\$-	\$70
Array Taiwan Inc.	42	-
Other related party		
Bacchus Wine Group Co., Ltd.	26	-
Total	<u>\$68</u>	<u>\$70</u>

(11) Interest income

	<u>For the years ended</u>	
	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiary		
San Jiang Electric MFG. Co., Ltd.	<u>\$4,373</u>	<u>\$-</u>

During March 2023, the Company acquired 15 thousand preferred shares of San Jiang Electric MFG. Co., Ltd. at a par value of 10 thousand, with a total amount of NT\$150,000 thousand. On

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

December 6, 2023, the board of directors of San Jiang Electric MFG. Co., Ltd. resolved to redeem all the 15 thousand preferred shares from the Company with NT\$150,000 thousand and pay a dividend of NT\$4,373 thousand to the Company.

(12) Other

Other transactions between the Company and subsidiaries are shown below:

Item	For the years ended December 31,	
	2023	2022
Other income	\$5,478	\$4,343
Rental income	5,332	3,374
Interest income	152	223
Professional expenses	(4,762)	(8,362)
Rental expenses	(885)	(115)
Exhibition expenses	(128)	-
Purchase of miscellaneous items	(92)	(39)
Advertisement expenses	(45)	(201)
Miscellaneous expenses	-	(4)
Total	<u>\$5,050</u>	<u>\$(781)</u>

Other transactions between the Company and associate are shown below:

Item	For the years ended December 31,	
	2023	2022
Professional expenses	<u>\$-</u>	<u>\$(20)</u>

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

Item	For the years ended December 31,	
	2023	2022
Interest income	\$13	\$4
Rental expenses	(3,643)	(1,886)
Entertainment expenses	(207)	(453)
Professional expenses	(58)	-
Miscellaneous expenses	(24)	(129)
Postage fee	(23)	(29)
Purchase of miscellaneous items	(15)	-
Advertisement expenses	-	(3)
Total	<u>\$(3,957)</u>	<u>\$(2,496)</u>

(13) Key management personnel compensation

For the years ended

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

	December 31,	
	2023	2022
Short-term employee benefits	\$21,543	\$29,626
Post-employment benefits	417	465
Share-based payment	538	-
Other long-term benefits	1,236	1,161
Total	<u>\$23,734</u>	<u>\$31,252</u>

8. Assets pledged as security

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

Items	Carrying amount		Secured liabilities
	December 31, 2023	December 31, 2022	
Other financial assets, current (demand deposits)	\$3,012	\$35,011	Short-term borrowings and long-term borrowings
Other financial assets, current (time deposits)	-	61,420	Short-term borrowings
Other financial assets, non-current (demand deposits)	37,553	19,570	Long-term borrowings
Investments accounted for using equity method	74,084	-	Short-term borrowings
Total	<u>\$114,649</u>	<u>\$116,001</u>	

9. Commitments and contingencies

None.

10. Loss due to major disasters

None.

11. Significant subsequent events

(1) On January 23, 2024, the Board of Directors of the Company approved the capital increase by cash of Zhu International Group Inc., with NT\$10 per share and a total of 15,000 thousand ordinary shares, in the amount of NT\$150,000 thousand. The Company subscribed to a total of 10,000 thousand ordinary shares, in the amount of NT\$100,000 thousand, reducing its ownership from 100% to 66.88%.

(2) The Company had applied to the Financial Supervisory Commission for a capital increase of 5,200 thousand new shares issuance by cash at a par value of NT\$10, as well as the issuance of the second domestic unsecured convertible corporate bonds, each with a face value of NT\$100,000, the maximum number of

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

bonds to be issued was 3,000, and the total maximum face value of the issuance was NT\$300,000 thousand. The issuance would be at 100% to 101% of the face value, subject to approval of the competent authority.

12. Others

(1) Categories of financial instruments

<u>Financial assets</u>	As of December 31,	
	2023	2022
Financial assets at fair value through profit or loss	\$29,131	\$27,687
Financial assets at fair value through other comprehensive income	23,007	9,546
Financial assets measured at amortized cost		
Cash and cash equivalents (except for cash on hand)	180,345	351,659
Accounts receivable, net	9,959	24,930
Accounts receivable-related parties, net	17,180	26,077
Other receivables	7,995	6,916
Other receivables-related parties	4,269	28,260
Other financial assets	40,565	116,001
Refundable deposits	5,094	7,492
Total	<u>\$317,545</u>	<u>\$598,568</u>
<u>Financial liabilities</u>	As of December 31,	
	2023	2022
Financial liabilities at amortized cost:		
Short-term borrowings	\$142,000	\$193,000
Notes payable, net	201	-
Accounts payable, net	11,429	13,443
Accounts payable-related parties, net	2,120	5,590
Other payables	38,969	61,752
Other payables-related parties	455	298
Long-term borrowings (including current portion)	212,710	74,130
Lease liabilities	34,589	32,131
Total	<u>\$442,473</u>	<u>\$380,344</u>

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

(A) When NTD strengthens/weakens against USD by 1%, the profit or loss for the years ended

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022 is decreased/increased by NT\$(18) thousand and decreased/increased by NT\$1,971 thousand, respectively.

(B) When NTD strengthens/weakens against RMB by 1%, the profit or loss for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$292 thousand and NT\$688 thousand, respectively.

Interest rate risk

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

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

The sensitivity analysis of the interest rate risk pertains primarily to the interest rate exposure items at the end of financial statement reporting period, including floating rate borrowings. Assuming holding in a whole fiscal year, an increase/ decrease of 10% in interest rate, the profit for the years ended December 31, 2023 and 2022 is decreased/increased by NT\$355 thousand and NT\$267 thousand, respectively.

Equity price risk

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

As of December 31, 2023 and 2022, an increase/decrease of 10% in the price of the listed companies' stocks classified as equity instruments investments measured at fair value through other comprehensive income will be increase/decrease by NT\$1,004 thousand and NT\$948 thousand on the equity attributable to the Company for the years ended December 31, 2023 and 2022, respectively.

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Please refer to Note 12 (8) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables) and from its financing activities, including bank deposits and other financial instruments.

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

As of December 31, 2023 and 2022, accounts receivable and contract assets from top ten customers represent 68.53% and 33.08% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivable and contract assets is relatively insignificant.

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than				
	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2023					

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Accounts payable					
(including other payables)	\$53,174	\$-	\$-	\$-	\$53,174
Long-term borrowings					
(including estimated interest)	87,625	72,520	63,758	-	223,903
Short-term borrowings	147,032	-	-	-	147,032
Lease liabilities (Note)	13,804	15,280	6,924	-	36,008
As of December 31, 2022					
Accounts payable					
(including other payables)	\$81,083	\$-	\$-	\$-	\$81,083
Long-term borrowings					
(including estimated interest)	48,294	20,222	7,492	-	76,008
Short-term borrowings	196,304	-	-	-	196,304
Lease liabilities (Note)	18,545	13,413	967	-	32,925

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2023	\$193,000	\$74,130	\$32,131	\$299,261
Cash flows	(51,000)	138,580	(13,880)	73,700
Non-cash changes	-	-	16,338	16,338
As of December 31, 2023	\$142,000	\$212,710	\$34,589	\$389,299

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	\$-	\$150,151	\$24,879	\$175,030
Cash flows	193,000	(76,021)	(13,098)	103,881

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Non-cash changes	-	-	20,350	20,350
As of December 31, 2022	<u>\$193,000</u>	<u>\$74,130</u>	<u>\$32,131</u>	<u>\$299,261</u>

(7) Fair values of financial instruments

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

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

- (a) The carrying amount of cash and cash equivalents, accounts receivables, refundable deposits, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method or income approach valuation techniques. The market method valuation is based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities). The income method is based on the estimated recoverable amount of the present value of similar financial assets that are expected to be received from cash dividends or disposals of investments.
- (d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- (e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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

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

(C) Fair value measurement hierarchy for financial instruments

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

(8) Fair value measurement hierarchy

(A) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

As of December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Limited partnership	\$-	\$-	\$26,131	\$26,131
Film investment agreement	-	-	3,000	3,000
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	3,085	6,951	12,971	23,007

As of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Limited partnership	\$-	\$-	\$24,687	\$24,687
Film investment agreement	-	-	3,000	3,000
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	3,386	-	6,160	9,546

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

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

<u>Assets</u>	<u>Assets</u>
Measured at fair value through profit or loss	Measured at fair value through other

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SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

			comprehensive income
	Limited partnership	Movie investment agreement	Stocks
Beginning balances as of January 1, 2023	\$24,687	\$3,000	\$6,160
Total gains and losses recognized for the year ended December 31, 2023			
Amount recognized in net income (presented in “Unrealized gains (losses) from financial asset at fair value through profit or loss)	(5,613)	-	-
Amount recognized in OCI (presented in “Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	-	-	6,811
Acquired in 2023	7,057	-	-
Ending balances as of December 31, 2023	\$26,131	\$3,000	\$12,971

	Assets		Assets
	Limited partnership	Movie investment agreement	Stocks
Beginning balances as of January 1, 2022	\$37,894	\$-	\$73,524
Total gains and losses recognized for the year ended December 31, 2022			
Amount recognized in net income (presented in “Unrealized gains (losses) from financial asset at fair value through profit or loss)	(16,207)	-	-
Amount recognized in OCI (presented in “Unrealized gains (losses) from financial asset at fair value through other comprehensive income)	-	-	2,826
Acquired in 2022	3,000	3,000	-
Disposed in 2022	-	-	(67,397)
Reclassified to investments accounted for using the equity method	-	-	(2,793)
Ending balances as of December 31, 2022	\$24,687	\$3,000	\$6,160

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

The fair value of fund and unlisted stocks are estimated by the asset-based approach. The asset-based approach involves assessing the total value of individual assets and liabilities to reflect the overall value of the enterprise or business and calculating the equity value of the company based on the fair value of its net assets.

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

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

(9) Significant assets and liabilities denominated in foreign currencies

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

	(Expressed in thousands)		
	December 31, 2023		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$30	30.71	\$914
RMB	6,739	4.34	29,247
<u>Financial liabilities</u>			
Monetary items:			
USD	\$89	30.71	\$2,746
	December 31, 2022		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$8,465	30.71	\$259,973

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

RMB	15,601	4.41	68,801
<u>Financial liabilities</u>			
Monetary items:			
USD	\$49	30.71	\$1,490

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

The Company has a variety of functional currencies, therefore the monetary impact on financial assets and liabilities impact for each individual currency cannot be disclosed. For the years ended December 31, 2023 and 2022, foreign exchange gain (loss) were net loss NT\$4,537 thousand and net gain NT\$78,144 thousand, respectively.

(10) Capital management

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

13. Additional disclosure

- (1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau and information on investees:
 - (A) Financing provided to other: Please refer to Attachment 1-1 to 1-3.
 - (B) Endorsement/Guarantee provided to others: Please refer to Attachment 2.
 - (C) Securities held (excluding subsidiaries, associates and joint venture): Please refer to Attachment 3.
 - (D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million and 20 percent of the capital stock: Please refer to Attachment 4.
 - (E) Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions: Please refer to Attachment 7.
 - (F) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million and 20 percent of the capital stock: Please refer to Attachment 5.
 - (G) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million and 20 percent of the capital stock: None.

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

- (H) Disposal of individual real estate with amount exceeding the lower of NT\$300 million and 20 percent of the capital stock: None.
 - (I) Receivables from related parties with amounts exceeding the lower of NT\$100 million and 20 percent of capital stock: Please refer to Attachment 6.
 - (J) Financial instruments and derivative transactions: None.
- (2) Information on investments in mainland China
- (A) Basic information: Please refer to Attachment 8-1 and 8-2.
 - (B) Directly or indirectly significant transactions through third regions with the investees in Mainland China: None
- (3) Information on major shareholders

Information on major shareholders: Please refer to Attachment 9.

SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Expressed in thousands of NTD unless otherwise stated)

Attachment 1-1: Financing provided to others - Softstar Entertainment Inc.

NO. (Note 1)	Lender	Counter-party	Financial statement account (Note 2)	Related party	Maximum amount of current period	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 3)	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party (Note 4)	Limit of financing amount (Note 4)
													Item	Value		
0	Softstar Entertainment Inc.	Loftstar Interactive Entertainment Inc.	Other Receivables - related parties	Yes	\$100,000	\$50,000	\$-	3.12%	2	\$-	Operating capital	\$-	-	\$-	\$465,845	\$621,127

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

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

Note 2: Name of account in which the loans are recognized including but not limited to accounts receivables-related parties, other receivables-related parties and, current account with stockholders, prepayments, and temporary payments, etc.

Note 3: The number filled in for nature of loan are as follows:

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

Note 4: Limit of financing amount for individual counter-party shall not exceed 30% of the Company's net value; limit of total financing amount shall not exceed 40% of the Company's net asset value.

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SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

Attachment 1-2: Financing provided to others - Chander Electronics Corp.

NO. (Note 1)	Lender	Counter-party	Financial statement account (Note 2)	Related party	Maximum amount of current period	Ending balance	Amount actually drawn	Interest rate	Nature of financing (Note 3)	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party (Note 4)	Limit of financing amount (Note 4)
													Item	Value		
1	Yun Fang Co., Ltd.	Chander Electronics Corp.	Other Receivables	Yes	\$20,000	\$-	\$-	1.20%	1	\$25,000	-	\$-	-	\$-	\$25,000	\$16,314

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

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

Note 2: Name of account in which the loans are recognized including but not limited to accounts receivables-related parties, other receivables-related parties and, current account with stockholders, prepayments, and temporary payments, etc.

Note 3: The number filled in for nature of loan are as follows:

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

Note 4: For those who have business transactions, the total amount of loans granted by Yun Fang Co., Ltd. should not exceed 600% of the net value of Yun Fang Co., Ltd., and the individual financing amount should not exceed the amount of business transactions between the two parties in the most recent year.

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SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

Attachment 1-3: Financing provided to others - Array Inc.

NO. (Note 1)	Lender	Counter-party	Financial statement account (Note 2)	Related party	Maximum amount of current period	Ending balance	Amount actually drawn (Note4)	Interest rate	Nature of financing (Note 3)	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party (Note 4)	Limit of financing amount (Note 4)
													Item	Value		
1	Array Cayman	Zentry Security Inc.	-	Yes	\$106,491 (USD 3,300)	\$- (USD -)	\$- (USD -)	-	2	\$-	Operating capital	\$-	-	\$-	\$128,280	\$128,280
2	Array Inc.	Array Networks, Inc. (Array US)	-	Yes	15,353 (USD 500)	15,353 (USD 500)	15,353 (USD 500)	-	2	-	Operating capital	-	-	-	128,280	128,280

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

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

Note 2: Name of account in which the loans are recognized including but not limited to accounts receivables-related parties, other receivables-related parties and, current account with stockholders, prepayments, and temporary payments, etc.

Note 3: The number filled in for nature of loan are as follows:

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

Note 4: The financing limit for each individual counter-party should not exceed 40% of the lender's net worth as stated in its latest audited or reviewed financial statements.

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SOFTSTAR ENTERTAINMENT INC.
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Attachment 2: Endorsement/Guarantee provided to others - Uniplus Electronics Co., Ltd.

No. (Note 1)	Endorsor/Guarantor	Guaranteed Party		Limits on Endorsement/Guarantee to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee Amount to Net Equity per Latest Financial Statement	Maximum Endorsement/Guarantee Amount Allowable (Note 4)	Guarantee Provided by Parent Company (Note 7)	Guarantee Provided by A Subsidiary (Note 7)	Guarantee Provided to Subsidiaries in Mainland China (Note 7)
		Company Name	Relationship (Note 2)										
1	Uniplus Electronics Co., Ltd.	San Jiang Electric MFG. Co., Ltd.	4	\$1,848,890	\$1,025,000	\$1,025,000	\$823,560	\$-	83.16%	\$2,465,186	Y	N	N

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

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 90% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in the limits and maximum amount on endorsement/guarantee to individual guaranteed party which are in accordance with the operating procedures of endorsement/guarantee provided to others by the Company. According to the "operating procedures of endorsement/guarantee" of Uniplus Electronics Co., Ltd., the total amount of endorsement/guarantee of Uniplus Electronics Co., Ltd. shall not exceed 200% of the net value of Uniplus Electronics Co., Ltd. for the current period and the limits on endorsement/guarantee to each guaranteed party shall not exceed 150% of the net value of Uniplus Electronics Co., Ltd. for the current period.

Note 4: Year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: 'Y' represents cases of provision of endorsements/guarantees by listed parent company to subsidiary, provision by subsidiary to listed parent company, or provision to the party in Mainland China.

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SOFTSTAR ENTERTAINMENT INC.
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Attachment 3: Securities held as of December 31, 2023

Names of companies held	Type of securities (Note 1)	Name of securities (Note 1)	Relationship with the Issuer (Note 2)	Financial statement account	December 31, 2023				Note (Note 4)
					Shares (in thousand)	Carrying amount (Note 3)	Shareholding (%)	Fair value	
Softstar Entertainment Inc.	Stock	Taiwan Smart Card Co.	-	Financial assets at fair value through other comprehensive income, non-current	2,552	\$12,971	15.95	\$12,971	None
Softstar Entertainment Inc.	Stock	Funfia Inc.	-	Financial assets at fair value through other comprehensive income, non-current	600	-	11.51	-	None
Softstar Entertainment Inc.	Emerging stock	Meimail Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	266	3,085	1.22	3,085	None
Softstar Entertainment Inc.	Listed stock	Newretail Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	657	6,951	2.26	6,951	None
Softstar Entertainment Inc.	Limited partnership	Cathay Private Equity Ecology Limited Partnership	-	Designated as financial assets at fair value through profit or loss, non-current	-	9,293	16.21	9,293	None
Softstar Entertainment Inc.	Limited partnership	Cathy Private Equity Smart Technology Limited Partnership	-	Designated as financial assets at fair value through profit or loss, non-current	-	12,910	4.43	12,910	None
Softstar Entertainment Inc.	Limited partnership	Vertex Ventures (SG) SEA V LP	-	Financial assets at fair value through profit or loss, non-current	-	3,928	1.02	3,928	None
Mega Media Group Limited	Stock	BLC Group Holding Limited	-	Financial assets at fair value through other comprehensive income, non-current	678	8,352	8.82	8,352	None
Mega Media Group Limited	Stock	Boom Fintech Inc.	-	Financial assets at fair value through other comprehensive income, non-current	250	-	9.22	-	None
Uniplus Electronics Co., Ltd.	Limited partnership	Outstanding Capital Limited Partnership	-	Financial assets at fair value through profit or loss, non-current	-	8,272	4.86	8,272	None
Uniplus Electronics Co., Ltd.	Listed stock	Softstar Entertainment Inc.	Parent company	Financial assets at fair value through other comprehensive income, non-current	6,370	490,512	6.13	490,512	None
Chander Electronics Corp.	Listed stock	Array Inc.	-	Financial assets at fair value through other comprehensive income, non-current	2	48	-	48	None
Chander Electronics Corp.	Stock	Super Energy Materials Inc.	-	Financial assets at fair value through other comprehensive income, non-current	4,544	90,880	16.85	90,880	None
Chander Electronics Corp.	Listed stock	Softstar Entertainment Inc.	Parent company	Financial assets at fair value through other comprehensive income, non-current	623	47,985	0.60	47,986	None
Toptrend Technologies Corp.	Fund	Allianz Global Investors Income and Growth Fund	-	Financial assets at fair value through profit or loss, current	5	1,461	-	1,461	None
Toptrend Technologies Corp.	Limited partnership	Wisdom Capital Limited Partnership	-	Financial assets at fair value through profit or loss, current	-	17,323	-	17,323	None
Toptrend Technologies Corp.	Listed stock	Softstar Entertainment Inc.	Parent company	Financial assets at fair value through other comprehensive income, non-current	821	63,182	0.79	63,182	None
Toptrend Technologies Corp.	Stock	Hanbang Precision Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	93	60	1.56	60	None
Array US	Fund	Morgan Stanley Mutual Funds	-	Financial assets at fair value through profit or loss, current	-	11,845	-	11,845	None
Red Sunrise Co., Ltd.	Stock	Field System Inc.	-	Financial assets at fair value through other comprehensive income, non-current	10	-	2.39	-	None
Red Sunrise Co., Ltd.	Stock	Spreadsun Information Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	190	-	19.00	-	None

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

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

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

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

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SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

Attachment 4: Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital

Purchaser/Seller	Marketable securities type and name (Note1)	Financial statement account	Counter -party	Relationship	Beginning balance		Acquisition		Disposal				Ending balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Price	Carrying value	Gain/Loss on disposal	Shares/Units	Amount
Uniplus Electronics Co., Ltd.	San Jiang Electric MFG. Co., Ltd.	Investments accounted for using the equity method	Note 1	-	-	\$-	12,000	\$1,344,400	-	\$-	\$-	\$-	12,000	\$1,344,400
								(Note 2 and 3)						

Note 1: Mighty Firm International Ltd. and individual shareholder, etc.

Note 2: The acquisition price amounted to NT\$844,400 thousand was paid, and an additional amount of NT\$500,000 thousand was recognized in other payables.

Note 3: In March 2023, Uniplus Electronics Co., Ltd. participated in the cash capital increase of San Jiang Electric MFG. Co., Ltd. in the amount of NT\$50,400 thousand, at NT\$112 thousand per share, with a total of 450 shares.

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SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

Attachment 5: Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Purchaser/Seller	Counter-party	Relationship with the counter-party	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases/ sales	Amount	Percentage of total purchases/sales	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Hang Zheng Technology Co., Ltd.	Uniplus Electronics Co., Ltd.	Parent company	Purchases	\$144,363	11.82%	According to the agreement	The transaction price and payment terms are not materially different from the third party.	According to the agreement	Accounts payable \$49,205	12.08%	Note

Note: Eliminated in the consolidated financial statement.

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SOFTSTAR ENTERTAINMENT INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of NTD unless otherwise stated)

Attachment 6: Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

Creditor	Counter-party	Relationship with the counter-party	Balance of receivables from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Array US	Array Networks India Private Limited	Same parent company	Accounts receivable-related parties \$148,302	0.96%	\$-	-	\$48,781	\$-

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SOFSTAR ENTERTAINMENT INC.
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Attachment 7: Names, locations and related information of investee companies (Not including investment in Mainland China)

Investor company	Investee company	Location	Main business and products	Original investment amount		Investment as of December 31, 2023			Net income (loss) of investee (Note 1)	Investment income (loss) recognized (Note 1)	Note
				Ending balance	Beginning balance	Number of shares (in thousand)	Percentage of ownership (%)	Book value			
Sofstar Entertainment Inc.	Lofstar Interactive Entertainment Inc.	Taiwan	Software wholesale and information software services	\$157,533	\$58,500	14,850	100	\$11,464	\$53,760	Subsidiary	
Sofstar Entertainment Inc.	Acvision Entertainment Ltd.	Taiwan	Performing arts	6,000	6,000	-	100	886	(57)	Subsidiary	
Sofstar Entertainment Inc.	Red Sunnise Co., Ltd.	Taiwan	Third-party payment services	191,519	176,899	7,756	55.60	202,091	9,575	Subsidiary	
Sofstar Entertainment Inc.	Gamebase Digital Media Corporation	Taiwan	Software publishing and information software services	163,000	151,000	16,700	100	99,075	(31,996)	(Note4) Subsidiary	
Sofstar Entertainment Inc.	Sofstar Animation Limited	Samoa	Investment holding	29,888	29,888	980	100	6,990	142	Subsidiary	
Sofstar Entertainment Inc.	A.R.T. Games Co., Ltd.	Taiwan	Network software development and technical services	12,250	12,250	1,225	49	360	(2,602)	(1,275)	
Sofstar Entertainment Inc.	Chia-e International Inc.	Taiwan	Investment holding	20,000	20,000	814	28.21	-	-	-	
Sofstar Entertainment Inc.	Time Vision International Limited	Samoa	Investment holding	47,154	-	1,500	100	30,355	(20,422)	(20,422)	
Sofstar Entertainment Inc.	Unipuls Electronics Co., Ltd.	Taiwan	Electronic component manufacturing, lamination, research and development and trade of business operation	545,012	350,012	91,955	43.76	432,983	9,932	(2,256) Subsidiary	
Sofstar Entertainment Inc.	New Profit Holding Ltd.	Seychelles	Investment holding	24,501	24,501	1,610	100	26,386	(1,040)	Subsidiary	
Sofstar Entertainment Inc.	JFN Investment Holding Corp.	BVI	Investment holding	78,605	78,605	13	100	82,812	(3,145)	Subsidiary	
Sofstar Entertainment Inc.	Lanjing Ltd.	Taiwan	Investment holding	316,916	316,916	-	100	345,375	(12,973)	Subsidiary	
Sofstar Entertainment Inc.	Jiwei Technology Ltd.	Taiwan	Investment holding	229,197	229,197	-	100	204,290	(8,936)	Subsidiary	
Sofstar Entertainment Inc.	Chander Electronics Corp.	Taiwan	Electronic products distribution	232,188	191,330	10,513	13.02	129,812	(45,824)	(7,936) Subsidiary	
Sofstar Entertainment Inc.	Double Edge Entertainment Corp.	Taiwan	Film production and media distribution	34,926	34,926	1,591	30.31	11,084	(4,971)	(1,507)	
Sofstar Entertainment Inc.	Sofstar Singapore Private Limited	Singapore	Investment holding	3,191	-	135	100	1,714	(2,458)	(2,458)	
Sofstar Entertainment Inc.	Zhu International Group Inc.	Taiwan	Hospitality service	1,000	-	100	100	757	(243)	(243)	
Lanjing Ltd.	Chander Electronics Corp.	Taiwan	Electronic products distribution	316,703	316,703	17,479	21.64	345,348	(45,824)	(12,914) Subsidiary	
Jiwei Technology Ltd.	Chander Electronics Corp.	Taiwan	Electronic products distribution	17,480	17,480	920	1.14	18,996	(45,824)	(680) Subsidiary	
Jiwei Technology Ltd.	Array Holdings for APGFIII Fund LPs	British Cayman Islands	Investment holding	201,134	201,134	-	100	178,021	(10,088)	(10,088)	
New Profit Holding Ltd.	Chander Electronics Corp.	Taiwan	Electronic products distribution	24,213	24,213	1,274	1.58	26,298	(45,824)	(943) Subsidiary	
JFN Investment Holding Corp.	Chander Electronics Corp.	Taiwan	Electronic products distribution	78,480	78,480	4,131	5.11	82,496	(45,824)	(3,049) Subsidiary	
Gamebase Digital Media Corporation	Niusnews Co., Ltd.	Taiwan	Advertisement and information software services	49,644	42,471	1,784	26.01	25,996	(20,900)	(5,436)	
Gamebase Digital Media Corporation	Mega Media Group Limited	Seychelles	General investment	93,260	93,260	2,800	100	72,758	(4,194)	(4,194)	
Gamebase Digital Media Corporation	Seconds Media Corp.	Taiwan	Advertisement and information software services	3,500	-	450	100	1,607	(2,493)	(1,933)	
Mega Media Group Limited	Niusnews Co., Ltd.	Taiwan	Advertisement and information software services	73,260	73,260	666	9.71	64,401	(20,900)	(2,029)	
Array Holdings for APGFIII Fund LPs	Array Inc.	British Cayman Islands	Investment holding	193,291	193,291	21,172	36.17	168,168	(21,223)	(10,088)	
Sofstar Singapore Private Limited	Starlight Gaming India Private Limited	India	Game agent and marketing	3,124	-	800	99.99	1,658	(1,400)	(2,448)	
Unipuls Electronics Co., Ltd.	Green Bless Co., Ltd.	Taiwan	Beauty and skincare products	94,736	94,736	2,900	100	22,927	(561)	(561)	
Unipuls Electronics Co., Ltd.	Hang Zheng Technology Co., Ltd.	Taiwan	Wholesale of electronic equipments	55,000	10,000	5,500	55	54,907	2,794	(689)	
Unipuls Electronics Co., Ltd.	Jiu He Yi Technology Co., Ltd.	Taiwan	Wholesale of electronic equipments	1,000	41,000	100	100	641	(263)	(263)	
Unipuls Electronics Co., Ltd.	Ruine Investment Co., Ltd.	Taiwan	Investment holding	-	100	-	-	-	(40)	(40)	
Unipuls Electronics Co., Ltd.	San Jiang Electric MFG. Co., Ltd.	Taiwan	Production and sale of transformers and distribution boards	1,344,400	-	12	100	1,372,129	82,598	28,571	
Red Sunnise Co., Ltd.	Sun Tech Co., Ltd.	Taiwan	Sale of vouchers and BNPL	101,000	51,000	10,100	100	86,854	(14,091)	(14,091)	
Red Sunnise Co., Ltd.	Soundnet Tech Co., Ltd.	Taiwan	Design of computer software	1,820	1,820	282	100	-	-	-	
Red Sunnise Co., Ltd.	PayNow Inc.	Taiwan	Third-party payment services	-	332	-	-	-	936	385	
Chander Electronics Corp.	Chander Electronics (HK) Corporation	Hong Kong	Distribution and trade of electronic components, integrated circuits, computer equipment and related products	114,142	114,142	28,200	100	8,402	(244)	(244)	
Chander Electronics Corp.	Neweb Technologies Co., Ltd.	Taiwan	Software wholesale and retail sales; electronic data supply services	349,954	349,954	24,649	32.63	449,573	2,295	749	
Chander Electronics Corp.	Yun Fang Co., Ltd.	Taiwan	Tobacco, liquor, beverage, food and medical equipment wholesale and retail	5,000	5,000	500	100	2,726	(1,624)	(1,624)	
Chander Electronics Corp.	Toptrend Technologies Corp.	Taiwan	Distribution and trade of electronic components, integrated circuits, computer equipment and related products	321,440	321,440	18,040	94.37	385,328	15,493	10,929	
Chander Electronics Corp.	Quan Zhe Metal Corp.	Taiwan	Electronic component products, information software wholesale and retail, and data processing services	2,484	50	248	82.81	268	(2,675)	(2,346)	
Chander Electronics Corp.	Dara Power Co., Ltd.	Taiwan	Electronic parts and components manufacturing and energy technical service	8,000	-	800	100	6,318	(1,682)	(1,682)	
Array Inc.	Array Cayman	British Cayman Islands	Investment holding	370,326	370,326	37,032	100	209,696	11,459	11,459	
Array Inc.	Array Taiwan Inc.	Taiwan	Research and development of network functional platform products	30,000	-	3,000	100	9,541	(18,623)	(18,623)	
Array Cayman	Array US	US	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	184,843	184,843	-	100	347,690	12,442	12,442	
Array Cayman	Zentry Security Inc.	US	Zentry modernizes the secure access with enhanced security, improved productivity, and ease of use. It helps customers migrate to Zero Trust Security model from obsolete perimeter model (Firewall & VPN)	343,896	343,952	-	99.95	(137,994)	(983)	(983)	
Array US	Array Networks Japan Kabishiki Kaisha	Japan	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	2,579	2,342	200	100	21,351	916	916	
Array US	Array Networks India Private Limited	India	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	51,646	36,298	-	100	78,888	39,842	39,842	

Note 1: If the listed company set up the overseas investment company and consolidated financial statements are primary financial statements under local regulations, information about overseas investees can be disclosed only to the extent of the overseas investment company.

Note 2: If not qualified for the situation stated in Note 1, the above table should be made under rules as follows:

- Information about the Company's investments should be filled in the "Investee", "Location", "Main business", "Original investment" and "Investment as of December 31, 2018" columns. The relationship between the investee and the Company should be filled in the "Note" column.
- The net income for the year of each investee should be filled in the "Net income (loss) of investee" column.
- Only the investment income (loss) of subsidiaries or investees accounted for using the equity method recognized by the Company should be filled in the "Investment income (loss) recognized" column. The investment income (loss) recognized should include investment income (loss) recognized by the investee.

Note 3: The original investment was completed through share swap.

Note 4: Including the amortization of differences between the carrying amount and the fair value based the purchase price allocation reports.

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(Expressed in thousands of NTD unless otherwise stated)

Attachment 8-1: Informations on investments in Mainland China - Softstar Entertainment Inc.

1. The following table presents names, main businesses and products, total amount of paid-in capital, method of investment, accumulated outflow of investment from Taiwan, investment income recognized, carrying amount, and accumulated inward remittance of earnings on investment of investees in Mainland China

Investee Company	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as at January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (loss) of investee Company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as of December 31, 2023	Accumulated inward remittance of earnings as of December 31, 2023	Note (Note 2(2))
					Outflow	Inflow							
Softstar Technology (Shanghai) Co., Ltd.	Information processing service	\$134,694	2	\$22,294	-	-	\$22,294	(Note 4)	-	-	-	-	C

2. Investment quota for Mainland China:

Accumulated investment in Mainland China as of December 31, 2023	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment in accordance with Ministry of Economic Affairs regulations (Note 5)
\$22,294	\$285,526	\$1,794,348

Note 1: The method for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China with capital increase through companies registered in third region.
- (2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of company in third region)
- (3) Other method.

Note 2: For the investment income (loss) recognized in current period, the investment income (loss) was determined based on the following basis:

- A. The financial statement was audited by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.
- B. The financial statement was audited by the auditors of the parent company.
- C. Others.

Note 3: The amount is stated in NTD.

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

Note 5: The upper limit of investment amount in Mainland China is the higher of 60% of the net value or 60% of consolidated net value.

Attachment 8-2: Informations on investments in Mainland China - Chander Electronics Corp.

1. The following table presents names, main businesses and products, total amount of paid-in capital, method of investment, accumulated outflow of investment from Taiwan, investment income recognized, carrying amount, and accumulated inward remittance of earnings on investment of investees in Mainland China

Investee Company	Main business and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as at January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (loss) of investee Company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as of December 31, 2023	Accumulated inward remittance of earnings as of December 31, 2023	Note
					Outflow	Inflow							
Trendwin Electronics (Shenzhen) Corporation (Note4)	Distribution and trade of electronic components, integrated circuits, computer equipment and related products.	HKD -	2	HKD 7,639 (USD 980)	\$-	\$-	HKD 7,639 (USD 980)	\$-	-	\$-	\$-	\$-	
Changsha Zecheng Technology Co., Ltd.	Distribution and trade of electronic components, integrated circuits, computer equipment and related products.	26,486 (USD 858)	1	22,170 (USD 718)	4,316 (USD 140)	-	26,486 (USD 858)	(9,980)	100	(8,206)	13,161	-	Note 5 and 6

2. Investment quota for Mainland China:

Accumulated investment in Mainland China as of December 31, 2023	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment in accordance with Ministry of Economic Affairs regulations
USD 1,838	\$1,838	\$518,124

Note 1: The method for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China with capital increase through companies registered in third region.
- (2) Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of company in third region)
- (3) Other method.

Note 2: For the investment income (loss) recognized in current period, the investment income (loss) was determined based on the following basis:

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

Note 3: The upper limit of investment amount in Mainland China is the higher of 60% of the net value or 60% of consolidated net value.

Note 4: Trendwin Electronics (Shenzhen) Corporation was liquidated in mainland China in August 2016, but the registration in the Investment Commission, MOEA has not yet been cancelled.

Note 5: Chander Electronics Corp. newly invested NT\$4,316 thousand (US\$140 thousand) in Changsha Zecheng Technology Co., Ltd. which had been approved by the Investment Commission, MOEA on October 31, 2023.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
SOFTSTAR ENTERTAINMENT INC.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

Attachment 9: Major shareholder information

Name	Shares	Holding shares	Holding percentage(%)
Oriental Golden Richness Ltd.		9,708,162	9.34
Angel Fund (ASIA) Investments Limited		8,581,682	8.26
Global Angel Investments Limited		7,555,018	7.27
Uniplus Electronics Co., Ltd.		6,370,290	6.13

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SOFTSTAR ENTERTAINMENT INC.

1. Statement of cash and cash equivalents

December 31, 2023

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Cash on hand	Including USD \$2,500.00 CNY \$8,000.00	\$230	1. None of these savings was pledged.
Checking accounts			2. As of December 31, 2023
Demand deposits	Including USD \$12,961.80 CNY \$28,366.83	180,345	Exchange rate: USD1 = NTD 30.71 CNY1 = NTD 4.33
Total		<u>\$180,575</u>	

SOFTSTAR ENTERTAINMENT INC.

2. Statement of accounts receivable, net

December 31, 2023

In Thousands of New Taiwan Dollars

Customer name	Amount	Note
Related Parties		
Loftstar Interactive Entertainment Inc.	\$17,127	
Green Bless Co., Ltd.	53	
Less: loss allowance	-	
Subtotal	17,180	
Third Parties		
Customer C	\$11,908	
Customer D	4,097	
Customer E	3,248	
Customer F	2,903	
Customer G	2,453	
Others	1,926	The amount of individual customer in others does not exceed 5% of the account balance.
Less: loss allowance	(16,576)	
Subtotal	9,959	
Total	\$27,139	

SOFTSTAR ENTERTAINMENT INC.

3. Statement of prepayment

December 31, 2023

In Thousands of New Taiwan Dollars

Customer name	Amount	Note
Prepayment for purchases	\$70,960	
Others	4,385	The amount of individual customer in others does not exceed 5% of the account balance.
Total	<u>\$75,345</u>	

SOFTSTAR ENTERTAINMENT INC.

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

For the Year Ended December 31, 2023

In Thousands of Shares/ New Taiwan Dollars

Investee	Beginning balance		Additions		Disposals		Investment Income (Loss)	Ending balance			Fair value / Net assets value		Collateral	Note
	Shares	Amount (Adjusted)	Shares	Amount	Shares	Amount	Amount	Shares	%	Amount	Unit Price (NTD)	Total amount		
Loftstar Interactive Entertainment Inc.	5,850	\$(33,809)	9,000	\$99,033	-	\$-	\$(53,760)	14,850	100%	\$11,464	\$0.77	\$11,464	None	
Activision Entertainment Ltd.	-	943	-	-	-	-	(57)	-	100%	886	-	886	None	
Gamebase Digital Media Corporation	15,500	123,071	1,200	12,000	-	(4,000)	(31,996)	16,700	100%	99,075	5.93	99,075	None	
Softstar Animation Limited	980	6,807	-	1	-	-	142	980	100%	6,950	7.09	6,950	None	
A.R.T. Games Co., Ltd.	1,225	1,635	-	-	-	-	(1,275)	1,225	49%	360	0.29	360	None	
Chia-e International Inc.	814	-	-	-	-	-	-	814	28.21%	-	-	-	None	
Time Vision International Limited	-	369,947	1,500	47,154	-	(356,324)	(30,422)	-	100%	30,355	-	30,355	None	
Uniplus Electronics Co., Ltd.	61,955	285,701	30,000	195,000	-	(45,462)	(2,256)	91,955	43.76%	432,983	4.71	432,983	None	
New Profit Holding Limited	1,610	27,074	-	352	-	-	(1,040)	1,610	100%	26,386	16.39	26,386	None	
JFN Investment Holding Corp.	13	84,818	-	1,139	-	-	(3,145)	13	100%	82,812	6,370.15	82,812	None	
Lanjing Ltd.	-	353,532	-	4,816	-	-	(12,973)	-	100%	345,375	-	345,375	None	
Jiwei Technology Ltd.	-	190,341	-	22,885	-	-	(8,936)	-	100%	204,290	-	204,290	None	
Chander Electronics Corp.	9,095	118,371	1,418	40,858	-	(21,481)	(7,936)	10,513	13.02%	129,812	12.35	129,812	None	
Red Sunrise Co., Ltd.	7,076	190,447	680	14,620	-	(5,725)	2,749	7,756	55.60%	202,091	26.06	202,091	None	
Double Edge Entertainment Corp.	1,591	12,597	-	-	-	(6)	(1,507)	1,591	30.31%	11,084	6.97	11,084	None	
Softstar Singapore Private Limited	-	-	135	4,172	-	-	(2,458)	135	100.00%	1,714	12.70	1,714	None	
Zhu International Group Inc.	-	-	100	1,000	-	-	(243)	100	100.00%	757	7.57	757	None	
Total		<u>\$1,731,475</u>		<u>\$443,030</u>		<u>\$(432,998)</u>	<u>\$(155,113)</u>			<u>\$1,586,394</u>				

SOFTSTAR ENTERTAINMENT INC.

5. Statement of changes in cost, accumulated depreciation and accumulated impairment of right-of-use assets

December 31, 2023

In Thousands of New Taiwan Dollars

Investee	Beginning balance	Additions	Disposals	Ending balance	Note
Cost					
Buildings	\$41,435	\$30,610	\$(21,271)	\$50,774	
Transportation equipment	6,338	-	(6,338)	-	
Subtotal	<u>47,773</u>	<u>30,610</u>	<u>(27,609)</u>	<u>50,774</u>	
Accumulated depreciation and accumulated impairment					
Buildings	(15,784)	(13,495)	11,395	(17,884)	
Transportation equipment	(660)	(528)	1,188	-	
Subtotal	<u>(16,444)</u>	<u>(14,023)</u>	<u>12,583</u>	<u>(17,884)</u>	
Carrying amount, net	<u>\$31,329</u>	<u>\$16,587</u>	<u>\$(15,026)</u>	<u>\$32,890</u>	

SOFTSTAR ENTERTAINMENT INC.

6. Statement of accounts payable

December 31, 2023

In Thousands of New Taiwan Dollars

Vendor name	Amount	Note
Third Parties		
Vendor A	\$7,847	
Vendor B	2,958	
Others	624	The amount of individual item in others does not exceed 5% of the account balance.
Total	<u>\$11,429</u>	

SOFTSTAR ENTERTAINMENT INC.

7. Statement of lease liabilities

December 31, 2023

In Thousands of New Taiwan Dollars

Item	Contract period	Discount rates applied	Description	Amount	Note
Buildings	2023.01~2025.12	2.44%	Current	\$2,965	The amount of individual item in others does not exceed 5% of the account balance.
		2.44%	Non-current	9,628	
			Subtotal	12,593	
Buildings	2022.04~2027.12	1.99%	Current	2,823	
		1.99%	Non-current	9,170	
			Subtotal	11,993	
Buildings	2022.04~2025.03	2.08%	Current	6,790	
		2.08%	Non-current	1,720	
			Subtotal	8,510	
Others			Current	525	
			Non-current	968	
			Subtotal	1,493	
			Total	<u>\$34,589</u>	
			Current	<u>\$13,103</u>	
		Non-current	<u>\$21,486</u>		

SOFTSTAR ENTERTAINMENT INC.

8. Statement of operating costs

For the Year Ended December 31, 2023

In Thousands of New Taiwan Dollars

Item	Amount		Note
	Description	Total	
Labor cost		\$15,126	
Other operating costs		10,863	
Total		<u>\$25,989</u>	

SOFTSTAR ENTERTAINMENT INC.

9. Statement of marketing expenses

For the Year Ended December 31, 2023

In Thousands of New Taiwan Dollars

Item	Amount	Note
Salaries	\$21,324	Including pension expense.
Taxes	4,506	
Labor expense	6,689	
Other expenses	7,301	The amount of individual item in others does not exceed 5% of the account balance.
Total	<u>\$39,820</u>	

SOFTSTAR ENTERTAINMENT INC.

10. Statement of general and administrative expenses

For the Year Ended December 31, 2023

In Thousands of New Taiwan Dollars

Item	Amount	Note
Salaries	\$102,262	Including pension expense.
Labor expense	16,524	
Miscellaneous expense	9,171	
Depreciation	9,059	
Other expenses	24,054	The amount of individual item in others does not exceed 5% of the account balance.
Total	<u>\$161,070</u>	

SOFTSTAR ENTERTAINMENT INC.

11. Statement of research and development expenses

For the Year Ended December 31, 2023

In Thousands of New Taiwan Dollars

Item	Amount	Note
Salaries	\$77,556	Including pension expense. The amount of individual item in others does not exceed 5% of the account balance.
Insurance expense	7,492	
Depreciation	8,015	
Other expenses	15,631	
Total	\$108,694	

SOFTSTAR ENTERTAINMENT INC.

Chairman: Tu, Chun-Kuang