

**Soft-World International Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Soft-World International Corporation

Opinion

We have audited the accompanying consolidated financial statements of Soft-World International Corporation (the "Corporation") and its subsidiaries (collectively known as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows.

Recognition of Revenue

As disclosed in Note 4 to the consolidated financial statements, the Corporation is an agent in its exclusive card (MyCard) transactions, and other financial liabilities are recognized at the time when MyCard points are sold. When the customers used MyCard in exchange for game points via the online platform, the Corporation recognized service revenue for the net amount after deducting receipts needed to be transferred to the related

game operators. We considered the risk of material misstatement of the recognition of revenue as the risk of not correctly recording the aforementioned game points after they have been exchanged for, and the recognized revenue might not be the net amount. Therefore, we focused on the correctness of the recognition of service revenue.

The main audit procedures which we performed included the following:

1. We took samples and tested the shipping orders and amount received from the sale of MyCard points to confirm the amounts as each unit of MyCard was shipped and recognized as other financial liabilities.
2. We understood the mechanism for the exchange of MyCard points for games and the mechanism of verifying deposits effectively, and reviewed the programming code's effectiveness on a sample basis.
3. We implemented computer-assisted audit techniques to test the accuracy of the points which were deposited, exchanged and consumed; we verified whether the information of exchange and consumption on the MyCard platform was the same as that of the reporting period.
4. We tested the amounts transferred from other financial liabilities, and verified the game operators' contracts to calculate the amount needed to be transferred to the related game operators, as well as to confirm service revenue for the net amount was accurate.

Merger and Acquisition

As disclosed in Note 28 to the consolidated financial statements, according to IFRS 3 "Business Combinations", the Corporation reversely acquired Neweb Technologies Co., Ltd. (Neweb Technologies) in the form of shares exchange in April, 2018. According to the accounting for business combinations, the hired appraiser released an analysis report about the estimated allocation of the purchase price for Neweb Technologies. The amount of goodwill was \$357,377 thousand, and was recognized in the consolidated financial statements. As the preparation of the analysis report about the estimated allocation of the purchase price involves management's subjective judgment regarding the main assumptions made, which is subject to internal and external factors, there is a high level of uncertainty. Therefore, the reasonableness of the allocation of purchase price was deemed as a key audit matter.

The main audit procedures we performed included the following:

1. We assessed the professional qualification, competence, and independence of the appraiser hired by the Corporation, and discussed with the management the scope of work performed by the independent appraiser, reviewed the contract terms and conditions signed by the Corporation and the appraiser, and we identified no concerns over the appraiser's objectivity or any restriction imposed on the scope of the work.
2. We assessed the reasonableness of the valuation method adopted and related assumptions in the independent appraiser's report about the estimated allocation of purchase price.

Other Matter

We have also audited the parent company only financial statements of the Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Group's financial reporting process.

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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
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 Group's ability to continue as a going concern. 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group 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 the consolidated financial statements for the year ended December 31, 2018 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.

The engagement partners on the audit resulting in this independent auditors' report are Chiu-Yen Wu and Jia-Ling Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 5,054,401	41	\$ 4,805,007	43	Short-term borrowings (Notes 18 and 33)	\$ 105,059	1	\$ -	-
Notes receivable (Notes 4, 5 and 7)	8,160	-	41,350	-	Contract liabilities - current (Note 24)	327,692	3	-	-
Accounts receivable, net (Notes 4, 5 and 7)	420,001	3	2,217,795	20	Notes payable (Note 19)	17,026	-	31,128	-
Accounts receivable - related parties (Notes 4, 5, 7 and 32)	1,206	-	30,705	-	Notes payable - related parties (Notes 19 and 32)	6,137	-	7,438	-
Other receivables (Notes 4, 7 and 32)	2,033,248	16	23,885	-	Accounts payable (Note 19)	318,317	3	2,364,151	21
Current tax assets (Note 26)	1,045	-	10,269	-	Accounts payable - related parties (Notes 19 and 32)	3,351	-	5,095	-
Inventories (Notes 4 and 8)	39,644	-	62,768	1	Other payables (Notes 20, 22 and 32)	3,154,632	25	760,049	7
Prepayments for royalty (Note 4)	76,503	1	77,125	1	Current tax liabilities (Notes 4 and 26)	96,958	1	75,896	1
Other financial assets - current (Notes 9 and 33)	2,962,060	24	2,725,815	24	Provisions - current (Note 4)	-	-	1,890	-
Other current assets	184,672	2	163,546	1	Other financial liabilities - current (Notes 3, 4 and 21)	1,414,588	11	-	-
Total current assets	10,780,940	87	10,158,265	90	Deferred revenue - current (Notes 3, 4 and 21)	-	-	1,065,063	9
					Other current liabilities (Notes 3 and 21)	39,739	-	470,649	4
					Total current liabilities	5,483,499	44	4,781,359	42
NONCURRENT ASSETS					NONCURRENT LIABILITIES				
Financial assets at fair value through other comprehensive income - noncurrent (Note 10)	464,405	4	-	-	Deferred tax liabilities (Notes 4 and 26)	27,349	-	18,357	-
Available-for-sale financial assets - noncurrent (Notes 4 and 11)	-	-	368,360	3	Net defined benefit liabilities (Notes 4 and 22)	91,097	1	84,184	1
Financial assets measured at cost - noncurrent (Notes 4 and 12)	-	-	45,500	-	Guarantee deposits received	44,026	1	2,545	-
Investments accounted for using the equity method (Notes 4 and 14)	55,778	1	75,981	1	Other noncurrent liabilities (Note 9)	-	-	2,000	-
Property, plant and equipment (Notes 4, 15 and 33)	423,285	3	390,129	4	Total noncurrent liabilities	162,472	2	107,086	1
Investment properties (Notes 4 and 16)	50,625	-	54,346	1	Total liabilities	5,645,971	46	4,888,445	43
Goodwill (Note 4)	457,621	4	104,398	1	EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)				
Other intangible assets (Notes 4 and 17)	61,320	1	23,311	-	Share capital	1,274,743	10	1,274,743	11
Deferred tax assets (Notes 4, 5 and 26)	52,170	-	45,078	-	Capital surplus	1,744,934	14	1,529,865	14
Prepayments for equipment	761	-	-	-	Retained earnings				
Refundable deposits	15,572	-	11,730	-	Legal reserve	930,645	8	888,889	8
Prepayments for long-term investments	-	-	2,502	-	Special reserve	25,117	-	25,117	-
Net defined benefit assets (Notes 4 and 22)	18,653	-	17,575	-	Unappropriated earnings	1,981,052	16	1,821,197	16
Other financial assets - noncurrent (Notes 9 and 33)	11,005	-	7,640	-	Total retained earnings	2,936,814	24	2,735,203	24
Other noncurrent assets	3,558	-	2,571	-	Other equity	163,078	1	133,414	1
Total noncurrent assets	1,614,753	13	1,149,121	10	Treasury shares	(449,303)	(3)	-	-
					Total equity attributable to owners of the corporation	5,670,266	46	5,673,225	50
					NON-CONTROLLING INTERESTS (Note 23)	1,079,456	8	745,716	7
					Total equity	6,749,722	54	6,418,941	57
TOTAL	\$ 12,395,693	100	\$ 11,307,386	100	TOTAL	\$ 12,395,693	100	\$ 11,307,386	100

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

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 3, 4, 24 and 32)	\$ 5,552,667	100	\$ 15,611,929	100
OPERATING COSTS (Notes 4, 8, 25 and 32)	<u>2,451,317</u>	<u>44</u>	<u>12,908,608</u>	<u>83</u>
GROSS PROFIT	<u>3,101,350</u>	<u>56</u>	<u>2,703,321</u>	<u>17</u>
OPERATING EXPENSES (Note 25)				
Selling and marketing expenses	1,708,632	31	1,547,321	10
General and administrative expenses	359,175	6	330,844	2
Research and development expenses	418,388	8	413,662	2
Expected credit loss (Note 7)	<u>29,329</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>2,515,524</u>	<u>45</u>	<u>2,291,827</u>	<u>14</u>
OPERATING INCOME	<u>585,826</u>	<u>11</u>	<u>411,494</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	91,266	1	73,931	-
Other gains and losses (Note 25)	(11,140)	-	36,479	-
Share of loss of associates accounted for using the equity method (Notes 4 and 14)	<u>(13,072)</u>	<u>-</u>	<u>(28,357)</u>	<u>-</u>
Total non-operating income and expenses	<u>67,054</u>	<u>1</u>	<u>82,053</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	652,880	12	493,547	3
INCOME TAX EXPENSE (Notes 4, 5 and 26)	<u>180,861</u>	<u>4</u>	<u>126,269</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>472,019</u>	<u>8</u>	<u>367,278</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 22)	(7,915)	-	(1,038)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	24,183	1	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 26)	<u>2,486</u>	<u>-</u>	<u>177</u>	<u>-</u>
	<u>18,754</u>	<u>1</u>	<u>(861)</u>	<u>-</u>

(Continued)

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 23)	\$ 12,213	-	\$ (54,106)	-
Unrealized loss on available-for-sale financial assets (Note 23)	-	-	(145,034)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 23 and 26)	(2,956)	-	9,959	-
	<u>9,257</u>	<u>-</u>	<u>(189,181)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>28,011</u>	<u>1</u>	<u>(190,042)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 500,030</u>	<u>9</u>	<u>\$ 177,236</u>	<u>1</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 461,322	8	\$ 417,558	2
Non-controlling interests	<u>10,697</u>	<u>-</u>	<u>(50,280)</u>	<u>-</u>
	<u>\$ 472,019</u>	<u>8</u>	<u>\$ 367,278</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 486,224	9	\$ 222,422	1
Non-controlling interests	<u>13,806</u>	<u>-</u>	<u>(45,186)</u>	<u>-</u>
	<u>\$ 500,030</u>	<u>9</u>	<u>\$ 177,236</u>	<u>1</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 3.70</u>		<u>\$ 3.28</u>	
Diluted	<u>\$ 3.68</u>		<u>\$ 3.26</u>	

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

(Concluded)

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation						Other Equity			Treasury shares	Total	Non-controlling Interests	Total Equity	
	Retained Earnings					Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain on Financial Assets at Fair Value Through Other	Comprehensive Income					Subtotal
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2017	\$ 1,274,743	\$ 1,521,190	\$ 846,793	\$ 25,117	\$ 1,701,255	\$ 19,356	\$ 308,623	\$ -	\$ 327,979	\$ -	\$ 5,697,077	\$ 781,618	\$ 6,478,695	
Appropriation of 2016 earnings (Note 23)	-	-	42,096	-	(42,096)	-	-	-	-	-	-	-	-	
Legal reserve	-	-	42,096	-	(42,096)	-	-	-	-	-	-	-	-	
Cash dividends distributed by the Corporation	-	-	-	-	(254,949)	-	-	-	-	-	(254,949)	-	(254,949)	
	-	-	42,096	-	(297,045)	-	-	-	-	-	(254,949)	-	(254,949)	
Cash dividends distributed by subsidiaries (Note 23)	-	-	-	-	-	-	-	-	-	-	-	(2,154)	(2,154)	
Net profit in 2017	-	-	-	-	417,558	-	-	-	-	-	417,558	(50,280)	367,278	
Other comprehensive income (loss) in 2017, net of income tax	-	-	-	-	(571)	(39,941)	(154,624)	-	(194,565)	-	(195,136)	5,094	(190,042)	
Total comprehensive income (loss) in 2017	-	-	-	-	416,987	(39,941)	(154,624)	-	(194,565)	-	222,422	(45,186)	177,236	
Changes in percentage of ownership interests in subsidiaries	-	2,347	-	-	-	-	-	-	-	-	2,347	(2,347)	-	
Changes in capital surplus from investments in associates accounted for using the equity method	-	6,328	-	-	-	-	-	-	-	-	6,328	-	6,328	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	13,785	13,785	
BALANCE AT DECEMBER 31, 2017	1,274,743	1,529,865	888,889	25,117	1,821,197	(20,585)	153,999	-	133,414	-	5,673,225	745,716	6,418,941	
Effect of retrospective application and retrospective restatement (Note 3)	-	-	-	-	-	-	(153,999)	153,999	-	-	-	-	-	
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,274,743	1,529,865	888,889	25,117	1,821,197	(20,585)	-	153,999	133,414	-	5,673,225	745,716	6,418,941	
Appropriation of 2017 earnings (Note 23)	-	-	41,756	-	(41,756)	-	-	-	-	-	-	-	-	
Legal reserve	-	-	41,756	-	(41,756)	-	-	-	-	-	-	-	-	
Cash dividends distributed by the Corporation	-	-	-	-	(254,949)	-	-	-	-	-	(254,949)	-	(254,949)	
	-	-	41,756	-	(296,705)	-	-	-	-	-	(254,949)	-	(254,949)	
Cash dividends distributed by the subsidiaries (Note 23)	-	-	-	-	-	-	-	-	-	-	-	(21,007)	(21,007)	
Net profit in 2018	-	-	-	-	461,322	-	-	-	-	-	461,322	10,697	472,019	
Other comprehensive income (loss) in 2018, net of income tax	-	-	-	-	(4,762)	9,218	-	20,446	29,664	-	24,902	3,109	28,011	
Total comprehensive income in 2018	-	-	-	-	456,560	9,218	-	20,446	29,664	-	486,224	13,806	500,030	
Difference between consideration and carrying amount of subsidiaries acquired or disposed (Note 13)	-	59,351	-	-	-	-	-	-	-	-	59,351	-	59,351	
Changes in percentage of ownership interests in subsidiaries	-	145,350	-	-	-	-	-	-	-	-	145,350	(145,350)	-	
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	(450,715)	(450,715)	(268,837)	(719,552)	
Disposal of the Corporation's shares held by subsidiaries	-	9	-	-	-	-	-	-	-	1,412	1,421	831	2,252	
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	10,359	-	-	-	-	-	-	-	-	10,359	-	10,359	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	754,297	754,297	
BALANCE AT DECEMBER 31, 2018	\$ 1,274,743	\$ 1,744,934	\$ 930,645	\$ 25,117	\$ 1,981,052	\$ (11,367)	\$ -	\$ 174,445	\$ 163,078	\$ (449,303)	\$ 5,670,266	\$ 1,079,456	\$ 6,749,722	

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

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 652,880	\$ 493,547
Adjustments for:		
Depreciation expenses	30,098	23,206
Amortization expenses	76,356	76,036
Expected credit loss recognized on accounts receivable	29,329	-
Impairment loss recognized on accounts receivable	-	25,758
Interest income	(36,768)	(34,069)
Dividend income	(1,668)	(4,853)
Share of loss of associates accounted for using the equity method	13,072	28,357
Gain on disposal of property, plant and equipment	(288)	(178)
Gain on disposal of investments	-	(67,650)
Impairment loss on financial assets	-	15,597
Impairment loss on nonfinancial assets	14,383	-
Reversal of write-down of inventories	-	(4,671)
Loss on inventories	5,984	5,594
Others	2,086	1,861
Changes in operating assets and liabilities		
Notes receivable	33,200	21,934
Notes receivable - related parties	-	28
Accounts receivable	(212,022)	234,356
Accounts receivable - related parties	(1,081)	4,634
Other receivables	33,638	(14,906)
Current tax assets	9,224	23,852
Inventories	15,587	11,572
Prepayments for royalty	622	14,674
Other current assets	(5,111)	16,820
Contract liabilities	10,782	-
Notes payable	(15,752)	(4,070)
Notes payable - related parties	(1,301)	(2,083)
Accounts payable	146,043	87,007
Accounts payable - related parties	(1,744)	(5,105)
Other payables	181,230	(91,511)
Provisions	-	(3,791)
Deferred revenue	-	(120,918)
Other financial liabilities	236,458	-
Other current liabilities	(70,703)	171,109
Net defined benefit liabilities	(15,497)	(4,878)
Other noncurrent liabilities	(2,000)	2,000
Cash generated from operations	1,127,037	899,259
Interest received	35,737	33,999
Dividends received	12,027	6,458
Income tax paid	(150,676)	(76,772)
Net cash generated from operating activities	<u>1,024,125</u>	<u>862,944</u>

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SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	\$ (3,959)	\$ -
Proceeds from disposal of available-for-sale financial assets	-	88,478
Increase in prepayments for long-term investments	(767)	-
Net cash inflow on acquisition of subsidiaries (Note 28)	48,205	-
Proceeds from disposal of subsidiaries (Note 13)	79,478	-
Payments for property, plant and equipment	(4,792)	(19,309)
Proceeds from disposal of property, plant and equipment	1,169	422
Increase in refundable deposits	557	-
Decrease in refundable deposits	1,293	22,623
Payments for intangible assets	(90,694)	(68,295)
Increase in other financial assets	(599,662)	(911,103)
Decrease in other financial assets	638,010	128,398
Increase in other noncurrent assets	<u>(1,885)</u>	<u>(8)</u>
Net cash generated from (used in) investing activities	<u>66,953</u>	<u>(758,794)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(29,193)	-
Increase in guarantee deposits received	17,339	430
Decrease in guarantee deposits received	(1,852)	(15)
Cash dividends	(254,949)	(254,949)
Acquisition of the parent company's shares held by subsidiaries	(450,715)	-
Proceeds from disposal of the parent company's shares held by subsidiaries	1,421	-
Changes in non-controlling interests	<u>(78,182)</u>	<u>11,631</u>
Net cash used in financing activities	<u>(796,131)</u>	<u>(242,903)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(45,553)</u>	<u>(51,435)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	249,394	(190,188)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,805,007</u>	<u>4,995,195</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,054,401</u>	<u>\$ 4,805,007</u>

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

(Concluded)

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Soft-World International Corporation (the Corporation) was incorporated in July 1983, The Corporation is mainly engaged in the production, sales and provides agency services of entertainment and commercial software; editing, printing and publishing of game magazines; commercial advertising services; and purchase and sale of entertainment products and accessories of game software.

The Corporation's shares have been trading on the Taipei Exchange since March 2001.

The consolidated financial statements are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 21, 2019.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

- 1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 4,805,007	\$ 4,805,007	b)
Equity securities	Available-for-sale financial assets	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	413,860	413,860	a)
Notes receivable, accounts receivable and other receivables (including related parties)	Loans and receivables	Amortized cost	2,313,735	2,313,735	b)
Other financial assets (current and noncurrent)	Loans and receivables	Amortized cost	2,733,455	2,733,455	b)
Refundable deposits	Loans and receivables	Amortized cost	11,730	11,730	b)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTOCI</u>							
Reclassification from available-for-sale (IAS39)	\$ -	\$ 413,860	\$ -	\$ 413,860	\$ -	\$ -	a)
<u>Amortized cost</u>							
Reclassification from loans and receivables (IAS 39)	\$ -	\$ 9,863,927	\$ -	\$ 9,863,927	\$ -	\$ -	b)

- a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized gain on available-for-sale financial assets of \$153,999 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9. Consequently, an increase of \$45,500 thousand was recognized in financial assets at FVTOC on January 1, 2018.

- a) Cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct and the promise to transfer it is distinct within the context of the contract.

When another party is involved in providing goods or services to a customer, IFRS 15 and related amendments precisely require that for the purpose of identifying the nature of promises in the contracts with customers, the Group shall identify each specified good or service first, then assesses whether the Group controls the good or service before each specified good or service is transferred to the customer. The Group is a principal if it controls the specified good or service before that good

or service before that good or service is transferred to a customer. Because a specified good or service is a distinct good or service, the Group shall individually identify whether the specified good in the contract is a principal or an agent.

The Group is a principal if at least one of the following conditions are met:

- a) The Group obtains the control of goods or assets from another party before the goods or other assets are transferred to customers; or
- b) The Group controls the right of provision of services by another party, and has the right to direct which party provides the services to customers; or
- c) The Group has control over the acquisition of goods or services from another party to combine them with other goods or services, in order to provide specified goods or services to customers.

Indicators that the Group does not control the certain good or service before it is provided to a customer include the following (but not limited to):

- a) The Group is primarily responsible for fulfilling the promise of providing the certain good or service.
- b) The Group has inventory risk before or after the certain good or the service is transferred to a customer.
- c) The Group uses discretion in the setting of prices.

When determining the nature of promises in contracts with customers, based on IFRS 15, if specified goods or services in the Group's promises are from another party's operating games, and the Group has not obtained control of the specified goods or services before the goods or services transferred to customers, the Group shall be an agent in the transaction. Before the application of IFRS 15, there were no regulations for the identification of specified goods or services, the Group identified whether it was a principal or agent based on whether the significant risks and rewards of MyCard issued were exposed.

According to IFRS 15 and related amendments, when the nature of the Group's promises in granting the licence meets all of the following criteria, which means providing the Group with the right to access intellectual property, the Group shall recognize revenue over time. Conversely, if the granting of licence is the right to access the intellectual property existing at a point in time, revenue shall be recognized at the time when the license is granted:

- a) The customer reasonably expects that the Group will undertake activities that will significantly affect the intellectual property to which the customer has rights;
- b) The rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified in the aforementioned activities undertaken by the Group; and
- c) Those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the aforementioned activities are expected to significantly change the form or the functionality of customers' intellectual property, or customers' ability to obtain benefits from the intellectual property is substantially derived from, or dependent upon, those activities, the Group's activities will significantly influence customers' rights.

For a sale with a right of return, the Group recognizes a refund liability (recognized as other current liabilities) and a right to recover a product (recognized as other current assets) when recognizing

revenue. Prior to the application of IFRS 15, return provisions and inventories were recognized when recognizing revenue.

The Group elected to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognized the cumulative effect of the change in the retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Inventories	\$ 62,768	\$ (1,553)	\$ 61,215
Accounts receivable, net	2,217,795	(2,013,369)	204,426
Accounts receivable from related parties	30,705	(30,580)	125
Other receivables	23,885	2,043,949	2,067,834
Right to recover a product (other current assets)	<u>-</u>	<u>1,553</u>	<u>1,553</u>
Total effect on assets	<u>\$ 2,335,153</u>	<u>\$ -</u>	<u>\$ 2,335,153</u>
Contract liabilities - current	\$ -	\$ 314,569	\$ 314,569
Accounts payable	2,364,151	(2,193,241)	170,910
Other payables	760,049	2,193,241	2,953,290
Provisions - current	1,890	(1,890)	-
Other financial liabilities	-	1,178,130	1,178,130
Deferred revenue - current	1,065,063	(1,065,063)	-
Temporary receipts (other current liabilities)	416,915	(379,518)	37,397
Advances received (other current liabilities)	48,118	(48,118)	-
Refund liabilities - current (other current liabilities)	<u>-</u>	<u>1,890</u>	<u>1,890</u>
Total effect on liabilities	<u>\$ 4,656,186</u>	<u>\$ -</u>	<u>\$ 4,656,186</u>

Had the Group applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15.

Impact on assets, liabilities and equity for 2018

	December 31, 2018
Increase in inventories	\$ 4,527
Increase in notes receivable	36,606
Increase in accounts receivable (net)	1,908,240
Increase in accounts receivable from related parties	32,370
Decrease in other receivables	(1,977,216)
Decrease in other current assets (right to recover a product)	<u>(4,527)</u>
Increase (decrease) in assets	<u>\$ -</u>

(Continued)

	December 31, 2018
Decrease in contract liabilities - current	\$ (327,692)
Increase in accounts payable	2,327,030
Decrease in other payables	(2,327,030)
Increase in provisions - current	5,053
Decrease in other financial liabilities	(1,414,588)
Increase in deferred revenue - current	1,031,024
Increase in other current liabilities (temporary receipts)	643,038
Increase in other current liabilities (advances received)	68,218
Decrease in other current liabilities (refund liabilities)	<u>(5,053)</u>
Increase (decrease) in liabilities	<u>\$ -</u> (Concluded)

Impact on total comprehensive income for 2018

	For the Year Ended December 31, 2018		
	IFRS 15	IAS18	Amount Affected
Operating revenue	\$ 5,552,667	\$ 17,347,942	\$ 11,795,275
Operating costs	<u>2,451,317</u>	<u>14,246,592</u>	<u>11,795,275</u>
Gross profit	<u>\$ 3,101,350</u>	<u>\$ 3,101,350</u>	<u>\$ -</u>

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

a) Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

b) The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- i The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- ii The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- iii The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

Anticipated impact on assets and liabilities

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Total effect on assets	\$ <u> -</u>	\$ <u>37,233</u>	\$ <u>37,233</u>
Lease liabilities - current	\$ -	\$ 24,978	\$ 24,978
Lease liabilities - non-current	<u> -</u>	<u>12,255</u>	<u>12,255</u>
Total effect on liabilities	\$ <u> -</u>	\$ <u>37,233</u>	\$ <u>37,233</u>

c) The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019. The application would not have a material impact on the Group's accounting of lessors.

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application on retained earnings on January 1, 2019, and anticipates that there will be no significant influence.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards, amendments and interpretations would not have a material impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitutes a business (as defined in IFRS 3) to an associate or a joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary or a joint venture that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or a joint venture, i.e. the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence over an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or a joint venture, i.e. the Group’s share of the gain or loss is eliminated.

2) Amendments to IFRS 3 “Definition of a Business”

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed.

Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and noncurrent assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

For details of subsidiaries about ownership and operating items refer to Note 13, Table 7 and Table 8.

e. Basis of consolidation

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

In a reverse acquisition, the accounting acquiree usually issues its equity shares to the owners of the accounting acquirer. Accordingly, the acquisition-date fair value of the consideration transferred by the accounting acquirer for its interest in the accounting acquiree is based on the number of equity interests the legal subsidiary would have had to issue to give the owners of the legal parent the same percentage of equity interest in the combined entity that results from the reverse acquisition. The fair value of the number of equity interests calculated in that way can be used as the fair value of consideration transferred in exchange for the acquiree.

Consolidated financial statements prepared following a reverse acquisition are required to reflect the assets and liabilities of the legal subsidiary recognized and measured at their pre-combination carrying amounts, and recognize the carrying amounts of retained earnings before the business combination. The assets and liabilities of the legal parent are recognized and measured in accordance with the fair value. The total shareholders' equity equals the pre-combination amount of the total shareholders' equity of the legal subsidiary added to the acquiree's combination consideration.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group (including subsidiaries and associates operating in other countries that use currencies which are different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end

of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

g. Inventories

Inventories consist of finished goods and merchandise. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

h. Prepayments for royalty

Prepayments for royalty are the prepaid amounts based on the contracts granted for games, and the Group calculates the amortization amounts in accordance with stored and used amounts for the games granted.

i. Investments accounted for using the equity method

The Group uses the equity method to account for its investments in associates. An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. 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 Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the

investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

j. Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant component is depreciated separately. If the lease term of an item of property, plant and equipment is shorter than its useful life, such asset is depreciated over its lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

l. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of

the relative values of the operation disposed of and the portion of the cash-generating unit retained.

m. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

n. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

o. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category of financial assets

2018

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets held by the Group include available-for-sale financial assets and loans and receivables.

i Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity investments are recognized when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

ii Loans and receivables

Loans and receivables (including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable and other receivables).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for account receivable and other receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as accounts receivable and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with defaults on receivables, and other situations.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. When accounts receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2017, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is

recognized in profit or loss.

p. Provisions

Provisions are allowances for sales returns measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. If the provisions are based on the measurement of the expected cash flows required to settle the present obligation, the carrying amount of provisions will be equal to the present value of these cash flows.

q. Revenue recognition

2018

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

The Group estimates sales returns and allowances based on historical experience and different contracts. To account for the transfer of products with a right of return, the Group recognizes revenue and in the meantime, the Group also recognizes refund liabilities (classified under other current liabilities) and rights to recover a product (classified under other current assets).

1) Sale of goods

Revenue from the sale of goods comes from sales of game points and game magazines. Based on the contract, when game points and game magazines, etc. are transferred to the customer, the customer has full discretion in the determination of prices, has the right of use, has the primary responsibility for sales to future customers, and assumes significant risk of ownership of the goods. The Group recognizes the related revenue and accounts receivable at the point of time the goods were transferred.

2) Revenue from games operated by the Corporation

Refers to the revenue from game items redeemed by the consumers on the MyCard platform (generally known as ‘virtual goods’), where revenue is recognized over time as the virtual goods are consumed or over the estimated usable period of the goods. If the sales obligations have not been fulfilled, the revenue should be deferred, and recognized under contract liabilities.

3) Rendering of services

a) Sales of exclusive card (MyCard) points issued by the Corporation, are recognized as “Other financial liabilities” before the specified goods or services are transferred to the customers. The Corporation is the agent in the MyCard transaction because the Corporation has not obtained control of the specified goods or services. When the consumers use MyCard in exchange for specified goods or services via the online platform, the Corporation recognizes service revenue for the net amount, after deducting receipts needed to be transferred to the related game operators.

b) Fee income from electronic payments and the third-party payments, is obtained from providing services to customers on online cash flow platforms and is recognized as revenue when cash has been received and the process of gaining profit has been mostly completed.

c) Other revenue from the rendering of services

Other services refer to the services of advertising design projects, etc. and revenue is recognized when the project has been completed and transferred to the customer.

4) Licensing revenue

When the nature of the Group's promises in granting the licences meets all of the following criteria which means providing the Group with the right to access the intellectual property, the Group shall recognize revenue over time. Conversely, if that granting of the licence is the right to access the intellectual property existing at point in time at which the licence is granted, the Group shall recognize revenue when the licence granted is transferred:

- a) The customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights.
- b) The rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified in the above the Group's activity; and
- c) Those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If those activities above are expected to significantly change the form or the functionality of customers' intellectual property, or customers' abilities to obtain benefit from the intellectual property is substantially derived from, or dependent upon, those activities, the Group's activity will significantly influence customers' rights.

Revenue is recognized when royalty is received based on used amounts.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns are recognized in accordance with the seller's reliable estimate of future returns based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of game software and game magazines is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods (agent);
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

More specifically, revenue from the sales of game software and games magazines is recognized when goods and legal ownership are transferred.

2) Sales of the exclusive card (MyCard)

MyCard issued by the Corporation is recognized as "deferred revenue" when it is sold, and is subsequently recognized as revenue when consumers use MyCard in exchange for specified goods

or services on the online platform.

3) Sale of online game points operated by the Corporation's subsidiaries

The unrealized gross profit from the sale of online game points operated by the Group's subsidiaries are deferred and recognized as "deferred revenue".

4) Royalty revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on usage are recognized by reference to the underlying arrangement.

5) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate.

r. Leasing

Leases are classified as operating leases whenever the terms of a lease do not transfer substantially all the risks and rewards of ownership to the lessee. As a lessor, rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

s. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Those unrealized will be deferred by the Group.

t. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as the current year's expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost

(including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

u. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and loss carryforwards can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination or the acquisition of a subsidiary, the tax effect is included in the accounting for business combination or investments in the subsidiary.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of receivables - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Assessment of goodwill from business combinations

For the year ended December 31, 2018, the Group assessed and analyzed the independent appraiser's report about the allocation of the purchase price for Newweb Technologies. Because the analysis report is based on the related assumptions and estimations, if there is any change in the assumptions and estimations, there the amount of goodwill recognized might be impacted.

d. Income taxes

As of December 31, 2018 and 2017, the carrying amount of deferred tax assets in relation to unused tax losses and temporary differences was \$530,232 thousand and \$439,945 thousand, respectively.

The realizability of deferred tax assets mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is more than expected, material deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a recognition takes place.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 1,916	\$ 2,097
Checking accounts	21,733	38,898
Demand deposits	2,911,658	2,333,328
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>2,119,094</u>	<u>2,430,684</u>
	<u>\$ 5,054,401</u>	<u>\$ 4,805,007</u>

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Notes receivable - unrelated parties		
Operating	<u>\$ 8,160</u>	<u>\$ 41,350</u>
Accounts receivable - unrelated parties		
At amortized cost		
Gross carrying amount	\$ 430,608	\$ 2,282,623
Less: Allowance for impairment loss	<u>10,607</u>	<u>64,828</u>
	<u>\$ 420,001</u>	<u>\$ 2,217,795</u>
Accounts receivable - related parties (Note 32)		
Operating	<u>\$ 1,206</u>	<u>\$ 30,705</u>
Other receivables (including related parties) (Note 32)		
Receivables for receipts under custody	\$ 2,044,859	\$ -
Less: Allowance for impairment loss - receivables for receipts under custody	<u>67,643</u>	<u>-</u>
	<u>1,997,216</u>	<u>-</u>
Others	80,017	39,821
Less: Allowance for impairment loss - others	<u>23,985</u>	<u>15,936</u>
	<u>56,032</u>	<u>23,885</u>
	<u>\$ 2,033,248</u>	<u>\$ 23,885</u>

2018

a. Notes receivable

At the end of the reporting period, there were no past due notes receivable on which the Group did not recognize an allowance for impairment loss.

The aging of notes receivable was as follows:

	December 31, 2018
90 days or less	\$ 6,129
91-180 days	1,527
181-365 days	<u>504</u>
Total	<u>\$ 8,160</u>

The above aging analysis of notes receivable was based on the past due days from the invoice date.

b. Accounts receivable

The average credit period is 30 to 150 days. The Group adopted a policy of only dealing with entities that have good credit ratings, and obtain sufficient collateral if needed to mitigate the risk of financial loss from late payment. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions. As the Group's credit loss, the provision for loss allowance based on aging of accounts receivable or past due status is further distinguished according to the Group's different customer base.

The Group writes off an account receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the accounts receivable are past due. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix:

Customer segment A

	Less than 90 Days	91 to 180 Days	181 to 365 Days	More than 1 year	Total
Expected credit loss rate (%)	-	0-3	15-30	100	
Gross carrying amount	\$ 340,190	\$ 2,475	\$ 2,958	\$ 1,846	\$ 347,469
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(21)</u>	<u>(382)</u>	<u>(1,692)</u>	<u>(2,095)</u>
Amortized cost	<u>\$ 340,190</u>	<u>\$ 2,454</u>	<u>\$ 2,576</u>	<u>\$ 154</u>	<u>\$ 345,374</u>

Customer segment B

	Not past due	Past due 1-90 Days	Past due 91-180 Days	Past due 181-270 Days	Past due 270 Days	Total
Expected credit loss rate	-	0-14	0-24	0-50	0-100	
Gross carrying amount	\$ 48,106	\$ 6,394	\$ 3,430	\$ 3,596	\$ 22,819	\$ 84,345
Loss allowance (lifetime ECLs)	<u>-</u>	<u>(187)</u>	<u>-</u>	<u>(779)</u>	<u>(7,546)</u>	<u>(8,512)</u>
Amortized cost	<u>\$ 48,106</u>	<u>\$ 6,207</u>	<u>\$ 3,430</u>	<u>\$ 2,817</u>	<u>\$ 15,273</u>	<u>\$ 75,833</u>

As of December 31, 2018, there was \$23,797 thousand in past due accounts receivable because of the mutual arrangement between the Group and the counterparty. There are terms about write-off in the arrangement, and when credit events occur, the Group is able to write-off the liabilities for payables to counterparty for the purpose of mitigating the risk of breach of contracts.

c. Other receivables

Receipts under custody receivables are from the sale of the Corporation's exclusive card (MyCard). The Corporation sold MyCard to customers by cooperative channels (Note 24), and the average credit period of receivables for channels were 30 to 120 days. Before the application of IFRS 15, the related receivables were recognized as accounts receivable.

The following table details the loss allowance of receipts under custody receivables for MyCard based on the Group's provision matrix:

December 31, 2018

	Less than 90 Days	91 to 180 Days	181 to 365 Days	More than 1 year	Total
Expected credit loss rate (%)	-	3	30	100	
Gross carrying amount	\$ 1,916,129	\$ 46,481	\$ 25,370	\$ 56,879	\$ 2,044,859
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(1,387)</u>	<u>(9,377)</u>	<u>(56,879)</u>	<u>(67,643)</u>
Amortized cost	<u>\$ 1,916,129</u>	<u>\$ 45,094</u>	<u>\$ 15,993</u>	<u>\$ -</u>	<u>\$ 1,977,216</u>

The movements of the loss allowance of accounts receivable and other receivables were as follows:

	For the Year Ended December 31, 2018		
	Accounts Receivable	Other Receivables	Total
Balance, at January 1, 2018 per IAS 39	\$ 64,828	\$ 15,936	\$ 80,764
Adjustment on initial application of IFRS 9	-	-	-
Adjustment on initial application of IFRS 15	<u>(64,068)</u>	<u>64,068</u>	<u>-</u>
Balance, at January 1, 2018	760	80,004	80,764
Add: From business combination	2,902	1,334	4,236
Impairment losses recognized in accounts receivable and other receivables	8,048	21,281	29,329
Less: Amounts written off	(1,100)	(10,718)	(11,818)
Foreign exchange gains and losses	<u>(3)</u>	<u>(273)</u>	<u>(276)</u>
Balance at December 31, 2018	<u>\$ 10,607</u>	<u>\$ 91,628</u>	<u>\$ 102,235</u>

For the year ended December 31, 2017

a. Notes receivable

At the end of the reporting period, there were no past due notes receivable on which the Group did not recognize an allowance for impairment loss.

b. Accounts receivable

The Group applied the same credit policy in 2017 and 2018. In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the balance sheet date. The Group assessed accounts receivable during the period of credit and recognized an allowance for impairment loss based on the estimated irrecoverable amount determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For some accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of accounts receivable was as follows:

	December 31, 2017
Up to 60 days	\$ 2,005,928
61-90 days	153,369
91-120 days	33,170
121-150 days	12,782
Over 151 days	<u>108,079</u>
Total	<u>\$ 2,313,328</u>

The above aging schedule was based on the number of past due days from the invoice date.

Aging analysis of account receivables that were past due but not impaired is as follows:

	December 31, 2017
Up to 60 days	\$ 2,142
91-120 days	3,400
121-150 days	3,006
Over 151 days	<u>22,575</u>
	<u>\$ 31,123</u>

The above aging schedule was based on the number of past due days from the invoice date.

The movements of the allowance for doubtful accounts receivable in 2017 were as follows:

	Accounts Receivable- Collectively Assessed for Impairment	Other Accounts Receivable- Individually Assessed for Impairment	Total
Balance at January 1, 2017	\$ 57,135	\$ -	\$ 57,135
Impairment losses recognized in accounts receivable	9,845	15,913	25,758
Amounts written off during the year as uncollectible	(2,152)	-	(2,152)
Foreign exchange translation gains and losses	<u>-</u>	<u>23</u>	<u>23</u>
Balance at December 31, 2017	<u>\$ 64,828</u>	<u>\$ 15,936</u>	<u>\$ 80,764</u>

8. INVENTORIES

	December 31	
	2018	2017
Finished goods	\$ 510	\$ 514
Merchandise	39,134	60,701
Finished goods and merchandise with estimated sales returns	<u>-</u>	<u>1,553</u>
	<u>\$ 39,644</u>	<u>\$ 62,768</u>

The cost of inventories recognized as loss on inventory value was \$57,631 thousand and \$54,756 thousand for the years ended December 31, 2018 and 2017, respectively.

The operating costs for the years ended December 31, 2018 and 2017 was \$2,451,317 thousand and \$12,908,608 thousand, respectively, which includes the following:

	For the Year Ended December 31	
	2018	2017
Write-downs (reversed)	\$ 2,875	\$ (4,671)
Loss on disposal	3,225	5,529
Loss (gain) on physical inventories	<u>(116)</u>	<u>65</u>
	<u>\$ 5,984</u>	<u>\$ 923</u>

9. OTHER FINANCIAL ASSETS

	December 31	
	2018	2017
Pledged demand deposits (Note 33)	\$ 17,711	\$ 49,034
Pledged time deposits (Note 33)	10,110	44,000
Restricted trust deposits	722,322	452,528
		(Continued)

	December 31	
	2018	2017
Restricted bank deposits	\$ 11,005	\$ 7,640
Time deposits with original maturities of more than 3 months	<u>2,211,917</u>	<u>2,180,253</u>
	<u>\$ 2,973,065</u>	<u>\$ 2,733,455</u>
Current	\$ 2,962,060	\$ 2,725,815
Noncurrent	<u>11,005</u>	<u>7,640</u>
	<u>\$ 2,973,065</u>	<u>\$ 2,733,455</u>

(Concluded)

The Group applied business trust to pledge the temporary receipts from third-party and electronic payments. To apply business trust, the Group signed a trust contract with the dedicated deposits account bank. For the proxy receipts and store-value received, the Group assigned a dedicated bank account as a trust account that was included in “Other financial assets - restricted trust deposits”.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT - 2018

	December 31, 2018
Listed shares	\$ 117,474
Emerging market shares	44,937
Private - placement shares of listed companies	239,152
Domestic unlisted shares	17,342
Foreign unlisted shares	<u>45,500</u>
	<u>\$ 464,405</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 11 and 12 for information relating to their reclassification and comparative information as of December 31, 2017.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT - 2017

	December 31, 2017
Listed shares	\$ 128,708
Emerging market shares	62,247
Private - placement shares of listed companies	<u>177,405</u>
	<u>\$ 368,360</u>

12. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT - 2017

	December 31, 2017
China Digital Interactive Technology Group Co., Ltd.	\$ 45,500
Ever Master Holdings Limited	-
Magic Elves Games	-
	<u>\$ 45,500</u>
Classified according to financial asset measurement categories	
Available-for-sale financial assets	<u>\$ 45,500</u>

Management believed that the above unlisted equity investments held by the Group had fair values which cannot be reliably measured because the range of reasonable fair value estimates was too significant and the estimated probabilities could not be assessed reasonably. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Group invested in Ever Master Holdings Limited's and Magic Elves Games' shares, and recognized an impairment loss of \$15,597 thousand as there was indication of impairment in 2017.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2018	2017	
The Corporation	Chinese Gamer International Corporation (Chinses Gamer)	Online game service	49	51	Notes 1 and 4
	Game Flier International Corporation	Online game service	98	98	
	Global Concept Corporation (Global Concept)	Investment related business	100	100	
	Soft-World Technology Pte. Ltd.	Trading of game software	100	100	Note 2
	Game First International Corporation	Online game service	70	70	
	Efun International Co., Ltd. (Efun)	Investment related business	89	89	Note 2
	Soft-World International (Hong Kong) Corporation	Trading of game software	100	100	
	Zealot Digital International Corporation	Development and sales of game software	99	99	
	Dynasty International Information Co., Ltd.	Design, development and trading of computer software	86	86	Note 2
	Jorsen Technology Co., Ltd.	Information software services, wholesale and retail	-	85	Notes 2 and 5
	Zealot Digital Pte. Ltd. (Zealot)	Development and sales of game software	100	100	
	Pay2go Corporation (Pay2go)	Third party payment service	-	89	Note 6
	Jhieh Long Venture Capital Corporation (Zhi Long)	Investment related business	13	50	
	Sofaman Corporation (Sofaman)	Development and sales of game software	60	60	Note 2
	Smartpath Digital Technology Co., Ltd (Smartpath Digital)	Third party payment service	-	100	Note 6
	Re: Ad Media Corporation (Re: Ad)	Investment related business	51	51	Note 2
	Fast Distributed Cloud Computing Co., Ltd	Retail, wholesale and service of information software	100	100	Note 2
	Interactive Entertainment Technology Co., Ltd (Interactive Entertainment)	Investment related business	80	80	Note 2

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark	
			December 31			
			2018	2017		
Chinesegamer International Corporation	Neweb Technologies Corporation Ltd. (Neweb Technologies)	Information software wholesale and retail and electronic data supply services	50	-	Note 6	
	Long Xiang Investment Co., Ltd. (Long Xiang Investment)	Investment related business	44	-	Note 7	
	Efun International corporation (Efun)	Information software and data processing services	89	-	Notes 3 and 8	
	CELAD Game Corporation (Celad)	Online game service	25	-	Notes 2 and 9	
	Re: Ad Media (Taiwan) Corporation (Re: Ad Media (Taiwan))	General advertising service	51	-	Note 10	
	Taichigamer (B.V.I.) Co., Ltd. (Taichigamer)	Investment related business	100	100		
	Walkfun International Corporation (Walkfun)	Network authentication, data processing services and electronic information providing services	100	100		
	Star Diamond Universal Corporation (Star Diamond)	Investment related business	100	100		
	Jhjh Long Venture Capital Corporation (Jhjh Long)	Investment related business	13	50		
	CELAD Game Corporation (Celad)	Online game service	50	50	Note 2	
	Super Game Corporation (Super Game)	Online game service	50	50		
	Fun Bear Corporation (Fun Bear)	Online game service	50	50		
	Game Topia Co., Ltd. (Game Topia)	Online game service	56	63		
	Oriental Dragon Digital Co., Ltd. (Oriental Dragon)	Online game service	53	53		
	Taichigamer	Long Xiang Investment Co., Ltd. (Long Xiang Investment)	Investment related business	30	-	Note 7
Transasiagamer (B.V.I.) Co., Ltd. (Transasiagamer)		Investment related business	100	100		
Transpacificgamer (B.V.I.) Co., Ltd. (Transpacificgamer)		Investment related business	-	-	Note 11	
You Long Online (Beijing) Technology Corporation (You Long Beijing Online)		Online game service	100	100		
Dragon Gamer (Hong Kong) Co., Ltd. (Dragon Gamer)		Information service industry	100	100		
Game Topia (Hong Kong) Technology Corporation (Hong Kong Game Topia)		Online game service	100	100		
Game Flier		Soft-Orient Corporation (Soft-Orient)	Investment related business	100	100	
		Game Flier (Malaysia) Sdn. Bhd. (Malaysia Game Flier)	Game software development, manufacturing and selling	100	100	
		Mobile Flier International Corporation (Mobile Flier)	Development of smart mobile games	100	100	
Global Concept		Value Central Corporation (Value Central)	Investment related business	100	100	
		Fast Distributed Cloud Computing (Samoa) Co., Ltd. (Fast Distributed Cloud Computing)	Investment related business	-	100	Note 5
		Gamers Grande Corporation (Gamers Grande)	Investment related business	100	100	
Value Central		Picked United Development Ltd (Picked United Development)	Acquisition and authorization of game software	100	100	
		Gamers Grande	Game Flier (Beijing) Sdn. Bhd. (Beijing Game Flier)	Information processing and supply services	100	100
Game First		Game First Asia Pte. Ltd. (Game First Asia)	Online game service	-	100	Note 5
	Compete ! Games Interactive Entertainment Corporation	Agent and operation of sports type of games	100	100	Note 2	
Efun	Efun International Corporation (Efun)	Information software and data processing services	-	100	Notes 3 and 8	
Soft - World (Hong Kong)	Soft-World International (Guangzhou) Corporation	Design, development, production and sales of computer hardware and software	100	100	Note 12	
Re: Ad	Re: Ad Media Corporation. (Re: Ad)	General advertising service	-	100	Notes 2 and 10	
	Re: Ad Media (Hong Kong) Corporation. (Re: Ad)	General advertising service	-	100	Notes 2 and 5	
Interactive Entertainment	Interactive Entertainment Technologies Corporation (Interactive Entertainment)	Wholesale and service of information software	100	100	Note 2	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2018	2017	
Neweb Technologies	ezPay Taiwan Co., Ltd. (ezPay)	Third party payment service	100	-	Note 6
	Newebpay Corporation. (Newebpay)	Electronic data supply service	100	-	Note 6
Long Xiang Investment	Jhjh Long Venture Capital Corporation (Jhjh Long)	Investment related business	74	-	

(Concluded)

- 1) The companies were subsidiaries that had material non-controlling interests.
- 2) The companies were not major subsidiaries, and their financial statements had not been audited. The Group's management considered if the unaudited financial statements were audited, there would not be a material impact on both the investments and income accounted for using the equity method.
- 3) The companies were not major subsidiaries, their financial statements for the year ended December, 31, 2018, had been audited, whereas their financial statements for the year ended December, 31, 2017, had not been audited.
- 4) Part of Chinese Gamer's shares were sold, and the disposal price was \$79,478 thousand. The difference between the disposal price and book value was recognized as capital surplus - the difference between the consideration received and the carrying amount of the subsidiaries' net assets during actual disposal was \$59,351 thousand.
- 5) The companies had completed liquidation procedures in 2018.
- 6) The Corporation acquired 59% ownership of Neweb Technologies and its subsidiaries through a share swap of Smartpath Digital's and Pay2go's shares. The base date of the share swap was April 9, 2018, and Neweb Technologies and its subsidiaries had been included in the consolidated financial statements since that date. For related information, refer to Note 28: Business Combinations. The board of directors of Neweb Technologies approved the proposal about the combination of Pay2go with ezPay on May 9, 2018. The base date of the combination was September 19, 2018. After the combination, Pay2go (The company changed its name to ezPay on July 26, 2018 with the approval of the Ministry of Economic Affairs) was the surviving company and ezPay was the dissolved company. On December 3, 2018, Neweb Technologies acquired ezPay's remaining outstanding shares by issuing new shares in exchange for ezPay's shares, and the Corporation's ownership of Neweb Technologies decreased from 59% to 50%. In addition, on November 22, 2018, the board of directors of Neweb Technologies approved the proposal about the combination with Smartpath Digital. The base date was December 24, 2018. After the combination, Neweb Technologies was the surviving company, and Smartpath Digital was the dissolved company.
- 7) In May 2018, the Corporation and its subsidiary Chinese Gamer together invested in and established Long Xiang Investment whose main business was investment. As of the end of 2018, the amounts of the investments in Long Xiang Investment by Chinese Gamer was \$250,000 thousand by the Corporation (44% ownership) and \$168,000 thousand (30% ownership).
- 8) Efun International Corporation carried out a capital reduction for offsetting accumulated deficits of \$20,876 thousand in June 2018, and the balance of its investments was \$7,124 thousand; In the same month, Efun International Corporation increased capital by cash of \$80,000 thousand, of which Efun International Co., Ltd. waived the right, and the Corporation subscribed for shares amounting to \$70,952 thousand; The Corporation acquired Efun International Corporation's shares from Efun International Co., Ltd. in the amount \$6,318 thousand in August 2018.
- 9) The amount the Corporation invested in Celed in June 2017 was \$10,000 thousand.

10) Re: Ad Media (Taiwan) increased capital by cash of \$20,000 thousand, and the Corporation subscribed for the shares in the amount of \$10,200 thousand; In addition, the Corporation acquired the shares of Re: Ad Media (Taiwan) from the subsidiary Re: Ad Media, and the amount of investments was \$3,894 thousand.

11) The companies had completed liquidation procedures in 2017.

12) Soft-World (Guangzhou)'s business was discontinued.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2018	2017
Chinese Gamer International Corporation (%)	51	49

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Chinese Gamer International Corporation	\$ 23,419	\$ (30,552)	\$ 552,754	\$ 511,562

The summarized financial information below represents amounts before intragroup eliminations.

Chinese Gamer International Corporation and Chinese Gamer International Corporation's subsidiaries

	December 31	
	2018	2017
Current assets	\$ 1,013,584	\$ 1,064,117
Noncurrent assets	416,469	264,126
Current liabilities	(212,261)	(167,483)
Noncurrent liabilities	<u>(7,302)</u>	<u>(5,292)</u>
Equity	<u>\$ 1,210,490</u>	<u>\$ 1,155,468</u>
Equity attributable to:		
The Corporation	\$ 615,473	\$ 628,026
Non-controlling interests of Chinese Gamer International Corporation	552,754	511,562
Non-controlling interests of Chinese Gamer International Corporation's subsidiaries	<u>42,263</u>	<u>15,880</u>
	<u>\$ 1,210,490</u>	<u>\$ 1,155,468</u>
Revenue	<u>\$ 600,237</u>	<u>\$ 367,509</u>

(Continued)

	December 31	
	2018	2017
Profit (loss) for the year	\$ 51,146	\$ (65,203)
Other comprehensive income (loss) for the year	<u>(13,118)</u>	<u>12,250</u>
Total comprehensive income (loss) for the year	<u>\$ 38,028</u>	<u>\$ (52,953)</u>
Profit (loss) attributable to:		
The Corporation	\$ 15,551	\$ (32,056)
Non-controlling interests of Chinese Gamer International Corporation	23,419	(30,552)
Non-controlling interests of Chinese Gamer International Corporation's subsidiaries	<u>12,176</u>	<u>(2,595)</u>
	<u>\$ 51,146</u>	<u>\$ (65,203)</u>
Comprehensive income attributable to:		
The Corporation	\$ 10,893	\$ (25,773)
Non-controlling interests of Chinese Gamer International Corporation	14,929	(24,565)
Non-controlling interests of Chinese Gamer International Corporation's subsidiaries	<u>12,206</u>	<u>(2,615)</u>
	<u>\$ 38,028</u>	<u>\$ (52,953)</u>
Cash flow		
Operating activities	\$ 19,741	\$ (18,940)
Investing activities	464	22,516
Financing activities	<u>14,000</u>	<u>12,000</u>
Net cash inflow	<u>\$ 34,205</u>	<u>\$ 15,576</u> (Concluded)

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in associates - associates that are not individually material	<u>\$ 55,778</u>	<u>\$ 75,981</u>
Aggregate information of associates that are not individually material:		
	December 31	
	2018	2017
The Group's share of:		
Total loss and other comprehensive income (loss) for the year	<u>\$ (13,072)</u>	<u>\$ (28,357)</u>

Except for the investments in some associates, the share of profit or loss and other comprehensive income of associates were calculated based on the audited financial statements. The Group's management considered that if the unaudited financial statements were audited, there would not be a material impact on both the investments and income accounted for using the equity method.

The Group invested in Sky Touch Co., Ltd's shares, and recognized an impairment loss \$11,087 thousand because of indications of impairment in the 3rd quarter of 2018. In addition, the Group acquired 11% ownership of We Can Financial in December 2018 for \$3,959 thousand, and as of the end of 2018, the amount of investments in We Can Financial was \$23,959 thousand.

15. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2018

	Freehold Land	Buildings	Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Total
<u>Cost</u>								
Balance at January 1, 2018	\$ 215,321	\$ 223,562	\$ 285,222	\$ 9,014	\$ 11,848	\$ 2,787	\$ 6,506	\$ 754,260
Additions	-	-	5,446	1,238	955	451	21,820	29,910
Disposals	-	-	(62,930)	(4,264)	(1,428)	(579)	(2,444)	(71,645)
Reclassification	-	-	1,142	-	(2,821)	(1,953)	231	(3,401)
Acquisitions through business combinations	-	-	55,295	-	2,976	2,714	6,012	66,997
Effect of foreign currency exchange differences	-	(680)	(2,033)	(18)	8	9	(23)	(2,737)
Balance at December 31, 2018	<u>\$ 215,321</u>	<u>\$ 222,882</u>	<u>\$ 282,142</u>	<u>\$ 5,970</u>	<u>\$ 11,538</u>	<u>\$ 3,429</u>	<u>\$ 32,102</u>	<u>\$ 773,384</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2018	\$ -	\$ 74,559	\$ 265,244	\$ 5,331	\$ 11,242	\$ 2,432	\$ 5,323	\$ 364,131
Disposals	-	-	(62,487)	(4,218)	(1,372)	(243)	(2,444)	(70,764)
Depreciation expenses	-	5,039	15,460	1,275	582	691	3,530	26,577
Reclassification	-	-	967	-	(2,146)	(1,642)	121	(2,700)
Acquisitions through business combinations	-	-	30,490	-	2,043	1,577	1,098	35,208
Effect of foreign currency exchange differences	-	(549)	(1,801)	2	6	8	(19)	(2,353)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 79,049</u>	<u>\$ 247,873</u>	<u>\$ 2,390</u>	<u>\$ 10,355</u>	<u>\$ 2,823</u>	<u>\$ 7,609</u>	<u>\$ 350,099</u>
Carrying amounts at December 31, 2018	<u>\$ 215,321</u>	<u>\$ 143,833</u>	<u>\$ 34,269</u>	<u>\$ 3,580</u>	<u>\$ 1,183</u>	<u>\$ 606</u>	<u>\$ 24,493</u>	<u>\$ 423,285</u>

For the year ended December 31, 2017

	Freehold Land	Buildings	Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Total
<u>Cost</u>								
Balance at January 1, 2017	\$ 209,513	\$ 219,690	\$ 338,458	\$ 6,641	\$ 12,071	\$ 2,591	\$ 6,528	\$ 795,492
Additions	5,808	6,192	3,907	2,490	216	197	-	18,810
Disposals	-	-	(55,470)	-	(416)	-	-	(55,886)
Reclassified to investment properties	-	(1,631)	-	-	-	-	-	(1,631)
Effect of foreign currency exchange differences	-	(689)	(1,673)	(117)	(23)	(1)	(22)	(2,525)
Balance at December 31, 2017	<u>\$ 215,321</u>	<u>\$ 223,562</u>	<u>\$ 285,222</u>	<u>\$ 9,014</u>	<u>\$ 11,848</u>	<u>\$ 2,787</u>	<u>\$ 6,506</u>	<u>\$ 754,260</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2017	\$ -	\$ 70,981	\$ 309,562	\$ 4,754	\$ 11,126	\$ 1,806	\$ 4,317	\$ 402,546
Disposals	-	-	(55,226)	-	(416)	-	-	(55,642)
Depreciation expenses	-	4,965	11,983	618	544	627	1,026	19,763
Reclassified as held for sale	-	(982)	-	-	-	-	-	(982)
Effect of foreign currency exchange differences	-	(405)	(1,075)	(41)	(12)	(1)	(20)	(1,554)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 74,559</u>	<u>\$ 265,244</u>	<u>\$ 5,331</u>	<u>\$ 11,242</u>	<u>\$ 2,432</u>	<u>\$ 5,323</u>	<u>\$ 364,131</u>
Carrying amounts at December 31, 2017	<u>\$ 215,321</u>	<u>\$ 149,003</u>	<u>\$ 19,978</u>	<u>\$ 3,683</u>	<u>\$ 606</u>	<u>\$ 355</u>	<u>\$ 1,183</u>	<u>\$ 390,129</u>

The reconciliation of additions and the payments from the statements of cash flows of the above items of property, plant and equipment is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Investing activities impacting cash and non-cash items at the same time		
Additions in property, plant and equipment	\$ 29,910	\$ 18,810
		(Continued)

	For the Year Ended December 31	
	2018	2017
Decrease in prepayments for equipment (including acquisitions through business combinations)	\$(22,838)	\$ -
Decrease (increase) in payables for equipment	<u>(2,280)</u>	<u>499</u>
Cash payments for purchasing property, plant and equipment	<u>\$ 4,792</u>	<u>\$ 19,309</u> (Concluded)

The following items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20-55 years
Equipment	2-10 years
Transportation Equipment	3-5 years
Office Equipment	3-5 years
Leasehold Improvements	3-5 years
Miscellaneous Equipment	3-5 years

16. INVESTMENT PROPERTIES

For the year ended December 31, 2018

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2018	\$ 102,869
Effect of foreign currency exchange differences	<u>(363)</u>
Balance at December 31, 2018	<u>\$ 102,506</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2018	\$ 48,523
Depreciation expenses	3,521
Effect of foreign currency exchange differences	<u>(163)</u>
Balance at December 31, 2018	<u>\$ 51,881</u>
Carrying amount at December 31, 2018	<u>\$ 50,625</u>

For the year ended December 31, 2017

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2017	\$ 105,132
Reclassified from property, plant and equipment	1,631
Effect of foreign currency exchange differences	<u>(3,894)</u>
Balance at December 31, 2017	<u>\$ 102,869</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2017	\$ 45,860
Depreciation expenses	3,443
Reclassified from property, plant and equipment	982
Effect of foreign currency exchange differences	<u>(1,762)</u>
Balance at December 31, 2017	<u>\$ 48,523</u>
Carrying amount at December 31, 2017	<u>\$ 54,346</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives which average 20 to 30 years.

The fair value of investment properties as of December 31, 2018 and 2017 was \$630,000 thousand and \$560,000 thousand, respectively. Management of the Group had assessed and determined the fair value based on market evidence of transaction prices for the nearby housing market.

17. OTHER INTANGIBLE ASSETS

For the year ended December 31, 2018

	Computer Software	Copyright and Royalty for Game Software	Total
<u>Cost</u>			
Balance at January 1, 2018	\$ 91,264	\$ 20,158	\$ 111,422
Acquisitions through business combinations	46,988	-	46,988
Additions	68,440	22,254	90,694
Write-off or disposals	(15,908)	(16,854)	(32,762)
Reclassification	304	-	304
Effect of foreign currency exchange differences	<u>(26)</u>	<u>-</u>	<u>(26)</u>
Balance at December 31, 2018	<u>\$ 191,062</u>	<u>\$ 25,558</u>	<u>\$ 216,620</u>

(Continued)

	Computer Software	Copyright and Royalty for Game Software	Total
<u>Accumulated amortization</u>			
Balance at January 1, 2018	\$ 80,409	\$ 7,702	\$ 88,111
Acquisitions through business combinations	23,452	-	23,452
Amortization expenses	56,212	20,144	76,356
Write-off or disposals	(15,908)	(16,854)	(32,762)
Reclassification	167	-	167
Effect of foreign currency exchange differences	<u>(24)</u>	<u>-</u>	<u>(24)</u>
Balance at December 31, 2018	<u>\$ 144,308</u>	<u>\$ 10,992</u>	<u>\$ 155,300</u>
Carrying amount at December 31, 2018	<u>\$ 46,754</u>	<u>\$ 14,566</u>	<u>\$ 61,320</u> (Concluded)

For the year ended December 31, 2017

	Computer Software	Copyright and Royalty for Game Software	Total
<u>Cost</u>			
Balance at January 1, 2017	\$ 394,409	\$ 145,894	\$ 540,303
Additions	38,914	29,381	68,295
Write-off or disposals	(341,991)	(147,163)	(489,154)
Reclassification	-	(6,830)	(6,830)
Effect of foreign currency exchange differences	<u>(68)</u>	<u>(1,124)</u>	<u>(1,192)</u>
Balance at December 31, 2017	<u>\$ 91,264</u>	<u>\$ 20,158</u>	<u>\$ 111,422</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2017	\$ 370,822	\$ 131,419	\$ 502,241
Amortization expenses	51,643	24,393	76,036
Write-off or disposals	(341,991)	(147,163)	(489,154)
Effect of foreign currency exchange differences	<u>(65)</u>	<u>(947)</u>	<u>(1,012)</u>
Balance at December 31, 2017	<u>\$ 80,409</u>	<u>\$ 7,702</u>	<u>\$ 88,111</u>
Carrying amount at December 31, 2017	<u>\$ 10,855</u>	<u>\$ 12,456</u>	<u>\$ 23,311</u>

The above intangible assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer software	1-3 years
Copyright and royalty for game software	1-5 years

18. SHORT-TERM BORROWINGS - DECEMBER 31, 2018

Unsecured borrowings	Amount
Secured borrowings	
Other loans - with an interest rate of 4.5% per annum	\$ 9,898
Unsecured borrowings	
Credit borrowings - with an interest rate of 1.5% per annum	75,000
Loans from shareholders - with an interest rate of 2% per annum	<u>20,161</u>
	<u>\$ 105,059</u>

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December, 31	
	2018	2017
Notes payable - unrelated parties		
Operating	<u>\$ 17,026</u>	<u>\$ 31,128</u>
Notes payable - related parties (Note 32)		
Operating	<u>\$ 6,137</u>	<u>\$ 7,438</u>
Accounts payable - unrelated parties		
Operating	<u>\$ 318,317</u>	<u>\$ 2,364,151</u>
Accounts payable - related parties (Note 32)		
Operating	<u>\$ 3,351</u>	<u>\$ 5,095</u>

The average credit period on purchases of goods is around 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms, and therefore there was no interest charged on the outstanding balance.

20. OTHER PAYABLES

	December 31	
	2018	2017
Payables for receipts under custody	\$ 2,327,030	\$ -
Payables for circulation	188,726	277,478
Payables for salaries or bonuses	138,497	132,162
Payables for agency transactions	235,807	104,199
Payables for royalty	17,466	24,255
Payables for compensation of employees, board of directors and supervisors	44,143	34,740
Payables for annual leave	20,403	19,537
Others	<u>182,560</u>	<u>167,678</u>
	<u>\$ 3,154,632</u>	<u>\$ 760,049</u>

Payables for receipts under custody are receipts needed to be transferred to the game operators as the Group provides services for the usage of MyCard online platform and from the sale of points. Before the application of IFRS 15, payables for receipts under custody were recognized as accounts payable.

21. OTHER FINANCIAL LIABILITIES - CURRENT AND OTHER CURRENT LIABILITIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Other financial liabilities - current		
Temporary receipts from the sale of MyCard	\$ 771,550	\$ -
Temporary receipts from third-party payments and electronic payments	<u>643,038</u>	<u>-</u>
	<u>\$ 1,414,588</u>	<u>\$ -</u>
Other current liabilities		
Temporary receipts	\$ 27,849	\$ 416,915
Advances received	-	48,118
Others	<u>11,890</u>	<u>5,616</u>
	<u>\$ 39,739</u>	<u>\$ 470,649</u>

Under the application of IFRS 15, the Corporation's sale of MyCard is recognized as an agency transaction under MyCard transactions. The temporary receipts from the sale of MyCard is recognized as "Other financial liabilities - current". As of December 31, 2017, under the application of IAS 18, it was recognized as "Deferred revenue - current" that amounted to \$1,065,063 thousand.

After applying IFRS 15, the payments unpaid and unwithdrawn from the buyer and seller through third-party transactions and proxy receipts, receipts under custody and store-value received through electronic payments are all included in "Other financial liabilities - current". For the year ended December 31, 2017, it was included in "Other current liabilities - temporary receipts" in the amount of \$379,518 thousand under the application of IAS 18.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and domestic subsidiaries in the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Foreign subsidiaries in the Group are required to make contributions to the central provident fund of the country of operations and retirement insurance for being a part of the state-managed retirement benefit plan. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plan

The defined benefit plans adopted by the Corporation and domestic subsidiaries of the Group are in accordance with the Labor Standards Law of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Corporation and domestic subsidiaries of the Group contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate

to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 161,719	\$ 145,114
Fair value of plan assets	<u>(89,139)</u>	<u>(78,387)</u>
Deficit	72,580	66,727
Net defined benefit assets	18,653	17,575
Other payables	<u>(136)</u>	<u>(118)</u>
Net defined benefit liabilities	<u>\$ 91,097</u>	<u>\$ 84,184</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	<u>\$ 147,564</u>	<u>\$ (76,992)</u>	<u>\$ 70,572</u>
Service cost			
Current service cost	556	-	556
Interest expense (income)	<u>2,095</u>	<u>(1,170)</u>	<u>925</u>
Recognized in profit or loss	<u>2,651</u>	<u>(1,170)</u>	<u>1,481</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	419	419
Actuarial loss - changes in demographic assumptions	3,911	-	3,911
Actuarial gain - changes in financial assumptions	(162)	-	(162)
Actuarial gain - experience adjustments	<u>(3,130)</u>	<u>-</u>	<u>(3,130)</u>
Recognized in other comprehensive income	<u>619</u>	<u>419</u>	<u>1,038</u>
Contributions from the employer	<u>-</u>	<u>(6,364)</u>	<u>(6,364)</u>
Benefits paid	<u>(5,720)</u>	<u>5,720</u>	<u>-</u>
Balance at December 31, 2017	<u>145,114</u>	<u>(78,387)</u>	<u>66,727</u>
Service cost			
Current service cost	1,034	-	1,034
Gain on settlement	(7,650)	-	(7,650)
Interest expense (income)	<u>2,325</u>	<u>(1,316)</u>	<u>1,009</u>
Recognized in profit or loss	<u>(4,291)</u>	<u>(1,316)</u>	<u>(5,607)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (2,195)	\$ (2,195)
Actuarial loss - changes in demographic assumptions	2,211	-	2,211
Actuarial loss - changes in financial assumptions	3,567	-	3,567
Actuarial loss - experience adjustments	<u>4,332</u>	<u>-</u>	<u>4,332</u>
Recognized in other comprehensive income	<u>10,110</u>	<u>(2,195)</u>	<u>7,915</u>
Contributions from the employer	<u>-</u>	<u>(9,924)</u>	<u>(9,924)</u>
Benefits paid	<u>(10,209)</u>	<u>10,209</u>	<u>-</u>
Business combinations	<u>20,995</u>	<u>(7,526)</u>	<u>13,469</u>
Balance at December 31, 2018	<u>\$ 161,719</u>	<u>\$ (89,139)</u>	<u>\$ 72,580</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	2018	2017
Discount rate(s)	1.125-1.500	1.375-1.750
Expected rate(s) of salary increase	2.250-3.000	2.250-2.500

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rate(s)		
Increase 0.25%	<u>\$ (5,247)</u>	<u>\$ (4,922)</u>
Decrease 0.25%	<u>\$ 5,483</u>	<u>\$ 5,152</u>
Expected rate(s) of salary increase		
Increase 0.25%	<u>\$ 5,328</u>	<u>\$ 5,018</u>
Decrease 0.25%	<u>\$ (5,127)</u>	<u>\$ (4,819)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	2017
Expected contributions to the plans for the next year	<u>\$ 2,350</u>	<u>\$ 1,656</u>
Average duration of the defined benefit obligation	11.5 - 20.5	13.1 - 21.4

23. EQUITY

a. Ordinary share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	<u>180,000</u>	<u>180,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>127,474</u>	<u>127,474</u>
Shares issued	<u>\$ 1,274,743</u>	<u>\$ 1,274,743</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and the right to dividends.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset deficits, distributed as cash dividends or transferred to share capital (see 1 below)		
Issuance of ordinary shares	\$ 1,229,758	\$ 1,229,758
Conversion of bonds	245,975	245,975
Treasury share transactions	37,725	37,716

(Continued)

	December 31	
	2018	2017
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	\$ 59,351	\$ -
<u>May be used to offset deficits only (see 2 below)</u>		
Treasury share transactions	10,359	-
Changes in percentage of ownership interests in subsidiaries (Note 28)	154,811	9,461
Changes in percentage of ownership interests in associates	<u>6,955</u>	<u>6,955</u>
	<u>\$ 1,744,934</u>	<u>\$ 1,529,865</u>

(Concluded)

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).
 - 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries/associates resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries/associates accounted for using the equity method; and the cash dividends which the Corporation distributed to subsidiaries holding the Corporation's shares are recognized in capital surplus - treasury shares.
- c. Retained earnings and dividends policy

Under the dividends policy, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, until the legal reserve equals the Corporation's paid-in capital. Besides, the profit shall be set aside or reversed as a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors and supervisors in Note 25(e) Employees' compensation and remuneration of directors and supervisors.

The dividends policy of the Corporation considers expanding the scale of operations and developing research plans, based on the overall environment and the features of the industry in order to pursue sustainable operations and long-term benefits for shareholders. The dividends to shareholders shall be not less than 15% of the distributable earnings each year, but if the accumulated distributable earnings is less than 25% of the Corporation's paid-in capital, the Corporation should not make an appropriation for dividends. The dividends to shareholders can be paid in cash or issued as shares, but cash dividends shall be not less than 10% of the total dividends.

Legal reserve may be used to offset a deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, Rule No. 1030006415 issued by FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation.

The appropriations of earnings for 2017 and 2016 which were proposed and approved in the shareholders' meetings on June 14, 2018 and June 22, 2017, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Legal reserve	\$ 41,756	\$ 42,096		
Cash dividends	<u>254,949</u>	<u>254,949</u>	<u>\$ 2.00</u>	<u>\$ 2.00</u>
	<u>\$ 296,705</u>	<u>\$ 297,045</u>		

The appropriation of earnings for 2018 had been proposed by the board of directors on March 28, 2019 as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 46,132	
Special reserve	95,407	
Cash dividends	<u>280,444</u>	<u>\$ 2.20</u>
	<u>\$ 421,983</u>	

The appropriation of earnings for 2018 are subject to the resolution of the shareholders in the shareholders' meeting to be held in June 2019.

d. Special reserve

Accumulated adjusted amounts on translating the financial statements that were transferred to retained earnings on the initial adoption of IFRSs was \$25,117 thousand, and the Group had set aside an equal amount of special reserve.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Balance at January 1, 2018	\$ (20,585)	\$ 19,356
Effect of change in tax	(783)	-
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	12,174	(49,863)
Related income tax arising from exchange differences	<u>(2,173)</u>	<u>9,922</u>
Balance at December 31	<u>\$ (11,367)</u>	<u>\$ (20,585)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39, 2018	\$ -
Adjustment on initial application of IFRS 9 (Note 3)	<u>153,999</u>
Balance at January 1 per IFRS 9	153,999
Recognized for the year	
Unrealized gain - equity instruments	<u>20,446</u>
Balance at December 31, 2018	<u>\$ 174,445</u>

3) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31, 2018
Balance at January 1, 2017	\$ 308,623
Recognized for the year	
Unrealized gain	(86,974)
Reclassification adjustment	
Disposal of available-for-sale financial assets	<u>(67,650)</u>
Balance at December 31, 2017	<u>\$ 153,999</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at the January 1	\$ 745,716	\$ 781,618
Share in profit (loss) for the period	10,697	(50,280)
Other comprehensive income (loss) for the year		
Exchange differences on translating the financial statements of foreign operations	39	(4,243)
Income tax relating to exchange differences on translating the financial statements of foreign operations	-	37
Unrealized loss on available-for-sale financial assets	-	9,590
Unrealized gain on financial assets at FVTOCI	3,737	-
Actuarial loss on defined benefit plans	(1,029)	(349)
Income tax relating to actuarial gain	363	59
Cash dividends distributed by subsidiaries	(21,007)	(2,154)
Acquisitions through business combinations	398,115	-
Shares held by the subsidiaries considered as treasury shares	(268,006)	-
Increase in non-controlling interests	<u>210,831</u>	<u>11,438</u>
Balance at December 31	<u>\$ 1,079,456</u>	<u>\$ 745,716</u>

g. Treasury shares

Purpose of Treasury Shares	Thousand Shares			December 31	
	Beginning of Year	Addition	Reduction	Thousand Shares	Book Value
For the year ended December 31, 2018					
Shares of the Corporation held by subsidiaries	-	5,347	17	5,330	\$ 449,303

The Corporation's shares acquired and held by subsidiaries for the purpose of investment are accounted for as treasury shares.

For the year ended December 31, 2018, a total of 27 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of \$2,252 thousand. Calculated by the shareholding percentage, the proceeds of treasury shares sold was \$1,421 thousand, and after deducting book values, the remainder amounted to \$9 thousand, recognized as capital surplus. As of December 31, 2018, the market value of the treasury shares calculated by combined shareholding percentage was \$353,896 thousand.

24. REVENUE

a. Contract information

	For the Year Ended December 31, 2018
Revenue from contracts with customers	
Rendering of services	\$ 3,676,767
Sale of goods	807,871
Operation of games	800,541
Licensing revenue	<u>267,488</u>
	<u>\$ 5,552,667</u>

1) Rendering of services

Revenue from the rendering of services includes revenue from services rendered for the usage of the MyCard online platform and sale of points, fee income from electronic and third-party payment and other revenue from the rendering of services. Refer to Note 4 for the related accounting policies.

- a) The exclusive card (MyCard) issued by the Corporation provides game operators an online platform and services to sell game points directly to the consumers through the MyCard network or other distributors (e.g. convenience stores, supermarkets and telecommunication companies). Sales of MyCard is recognized as "Other financial liabilities - noncurrent". When the consumers use MyCard in exchange for specified goods or service via the online platform, the Corporation recognizes service revenue for the net amount after deducting receipts needed to be transferred to the related game operators.
- b) Fee income of electronic and third-party payments result from providing online cash flow platform services. The Group will transfer the payments which are collected from consumers through its cash flow platform to the retailers after deducting the agreed fee.

c) Other service revenue results from providing the advertising design services, etc.

2) Sale of goods

The game points and magazines are sold at the contract price through the online platform or different retailers (e.g. brick-and-mortar stores and convenience stores etc.).

The Group's customary business practices allow customers to return certain goods. The refund liability (classified under other current liabilities) is estimated based on the historical average return rate and the related right to recover a product (classified under other current assets) is recorded accordingly.

3) Revenue from games operated by the Group

Revenue from games operated by the Group is recognized over the period in which virtual goods are consumed or over the estimated usable period of the virtual goods based on consumers' redemption of the virtual goods of games operated by the Group on the online platform.

4) Licensing revenue

The Group authorizes some intellectual property rights of the self-developed games to other game developers for cooperation and development. In addition to the non-refundable premiums collected at the time of signing of contracts, subsequent follow-up fees are stipulated by the usage amount agreed in the contract.

b. Contract balances

	December 31, 2018
Notes receivable, accounts receivable, and other receivables (receivables under custody) (including related parties) (Note 7)	<u>\$ 2,406,583</u>
Contract liabilities	
Royalty fee for games	\$ 145,157
Game points	114,317
Others	<u>68,218</u>
	<u>\$ 327,692</u>

The changes in the contract liability balances primarily result from the timing difference between the Group's fulfilment of its performance obligations and the customer's payment.

c. Disaggregation of revenue

Refer to Note 37 for information about the disaggregation of revenue.

25. NET PROFIT FROM CONTINUING OPERATIONS

a. Other operating income

	For the Year Ended December 31	
	2018	2017
Interest income	\$ 36,768	\$ 34,069
Rental income	27,848	24,480
Others	<u>26,650</u>	<u>15,382</u>
	<u>\$ 91,266</u>	<u>\$ 73,931</u>

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of available-for-sale financial assets	\$ -	\$ 67,650
Net foreign exchange gains (losses)	18,621	(7,085)
Gain on disposal of property, plant and equipment	288	178
Impairment loss on financial assets (Note 12)	-	(15,597)
Impairment loss on non-financial assets (Note 14)	(14,383)	-
Loss on miscellaneous disbursements	<u>(15,666)</u>	<u>(8,667)</u>
	<u>\$ (11,140)</u>	<u>\$ 36,479</u>

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 26,577	\$ 19,763
Investment properties	3,521	3,443
Intangible assets	<u>76,356</u>	<u>76,036</u>
	<u>\$ 106,454</u>	<u>\$ 99,242</u>
 An analysis of depreciation by function		
Operating costs	\$ 265	\$ 329
Operating expenses	26,312	19,434
Non-operating expenses	<u>3,521</u>	<u>3,443</u>
	<u>\$ 30,098</u>	<u>\$ 23,206</u>
 An analysis of amortization by function		
Operating costs	\$ 20,148	\$ 22,122
Operating expenses	<u>56,208</u>	<u>53,914</u>
	<u>\$ 76,356</u>	<u>\$ 76,036</u>

d. Employee benefits

	<u>For the Year Ended December 31</u>	
	2018	2017
Short-term employee benefits	\$ 969,588	\$ 902,672
Post-employment benefits		
Defined contribution plans	40,320	39,336
Defined benefit plans (Note 22)	<u>(5,607)</u>	<u>1,481</u>
	<u>34,713</u>	<u>40,817</u>
Employee benefits expense	<u>\$ 1,004,301</u>	<u>\$ 943,489</u>
An analysis by function		
Operating costs	\$ 27,713	\$ 26,580
Operating expenses	<u>976,588</u>	<u>916,909</u>
	<u>\$ 1,004,301</u>	<u>\$ 943,489</u>

e. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Corporation, the Corporation accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which were approved by the Corporation's board of directors on March 21, 2019 and March 26, 2018, respectively, are as follows:

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Accrual rate</u>		
Employees' compensation (%)	5	5
Remuneration of directors and supervisors (%)	1	1
<u>Amount</u>		
Employees' compensation	\$ 31,281	\$ 27,469
Remuneration of directors and supervisors	6,256	5,494

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

For the years ended December 31, 2017 and 2016, there is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains (losses) on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	2018	2017
Foreign exchange gains	\$ 25,149	\$ 3,880
Foreign exchange losses	<u>(6,528)</u>	<u>(10,965)</u>
Net gain (loss)	<u>\$ 18,621</u>	<u>\$ (7,085)</u>

26. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>For the Year Ended December 31</u>	
	2018	2017
Current tax		
In respect of the current year	\$ 142,131	\$ 108,863
Income tax on unappropriated earnings	13,173	12,218
Adjustments for prior years	<u>16,929</u>	<u>4,487</u>
	<u>172,233</u>	<u>125,568</u>
Deferred tax		
In respect of the current year	14,191	701
Effect of tax rate changes	<u>(5,563)</u>	<u>-</u>
	<u>8,628</u>	<u>701</u>
Income tax expense recognized in profit or loss	<u>\$ 180,861</u>	<u>\$ 126,269</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>For the Year Ended December 31</u>	
	2018	2017
Profit before income tax	<u>\$ 652,880</u>	<u>\$ 493,547</u>
Income tax expense calculated at the statutory rate	\$ 128,900	\$ 83,243
Nondeductible expenses in determining taxable income	14,466	14,639
Tax-exempt income	(3,841)	(12,325)
Realized investment losses	(1,301)	(1,529)
Income tax on unappropriated earnings	13,173	12,218
Unrecognized loss carryforwards	10,478	13,613
Unrecognized temporary differences	1,312	9,053
Effect of tax rate changes	(5,563)	-
Adjustments for prior years' tax	16,929	4,487
Others	<u>6,308</u>	<u>2,870</u>
Income tax expense recognized in profit or loss	<u>\$ 180,861</u>	<u>\$ 126,269</u>

In 2017, the applicable corporate income tax rate used by the Group in the ROC was 17%. In February 2018, the President announced that the Income Tax Act of the Republic of China was amended. Starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the tax rate applicable to unappropriated earnings of 2018 will be reduced from 10% to 5%. The applicable tax rate

used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of appropriations of earnings for 2019 is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Effect of change in tax rate		
Remeasurement of defined benefit plans	\$ 903	\$ -
Translation of foreign operations	(783)	-
In respect of the current period		
Remeasurement of defined benefit plans	1,583	177
Translation of foreign operations	<u>(2,173)</u>	<u>9,959</u>
	<u>\$ (470)</u>	<u>\$ 10,136</u>

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	<u>\$ 1,045</u>	<u>\$ 10,269</u>
Current tax liabilities		
Income tax payable	<u>\$ 96,958</u>	<u>\$ 75,896</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisition from Business Combinations	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit obligation	\$ 15,651	\$ (885)	\$ 2,673	\$ 2,290	\$ 19,729
Loss on inventories	9,305	2,217	-	-	11,522
Others	16,469	1,256	-	3,194	20,919
Tax losses	<u>3,653</u>	<u>(5,367)</u>	<u>-</u>	<u>1,714</u>	<u>-</u>
	<u>\$ 45,078</u>	<u>\$ (2,779)</u>	<u>\$ 2,673</u>	<u>\$ 7,198</u>	<u>\$ 52,170</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized gain from foreign investments accounted for using the equity method	\$ 9,664	\$ 4,651	\$ -	\$ -	\$ 14,315
Exchange differences on translating the financial statements of foreign operations	4,436	-	2,956	-	7,392
Defined benefit obligation	4,029	753	187	-	4,969
Others	<u>228</u>	<u>445</u>	<u>-</u>	<u>-</u>	<u>673</u>
	<u>\$ 18,357</u>	<u>\$ 5,849</u>	<u>\$ 3,143</u>	<u>\$ -</u>	<u>\$ 27,349</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 15,887	\$ (724)	\$ 488	\$ 15,651
Loss on inventories	9,819	(514)	-	9,305
Unrealized losses on the transactions with subsidiaries	3,184	(452)	-	2,732
Others	14,499	(762)	-	13,737
Tax losses	<u>5,951</u>	<u>(2,298)</u>	<u>-</u>	<u>3,653</u>
	<u>\$ 49,340</u>	<u>\$ (4,750)</u>	<u>\$ 488</u>	<u>\$ 45,078</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized gain from foreign investments accounted for using the equity method	\$ 12,840	\$ (3,176)	\$ -	\$ 9,664
Exchange differences on translating the financial statements of foreign operations	14,395	-	(9,959)	4,436
Defined benefit obligations	3,612	106	311	4,029
Others	<u>1,207</u>	<u>(979)</u>	<u>-</u>	<u>228</u>
	<u>\$ 32,054</u>	<u>\$ (4,049)</u>	<u>\$ (9,648)</u>	<u>\$ 18,357</u>

- e. Deferred tax assets that have not been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Loss carryforwards		
Expiry in 2018	\$ -	\$ 48,297
Expiry in 2019	76,371	94,996
Expiry in 2020	147,612	156,200
Expiry in 2021	99,795	99,795
Expiry in 2022	103,326	103,326
Expiry in 2023	303,069	300,834
Expiry in 2024	182,942	182,942
Expiry in 2025	330,702	307,205
Expiry in 2026	224,879	213,402

(Continued)

	December 31	
	2018	2017
Expiry in 2027	\$ 266,622	\$ 243,157
Expiry in 2028	122,078	-
Without deduction time limit	<u>411,601</u>	<u>377,848</u>
	<u>\$ 2,268,997</u>	<u>\$ 2,128,002</u>
Deductible temporary differences	<u>\$ 436,406</u>	<u>\$ 431,527</u> (Concluded)

f. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expiry Year
\$ 76,371	2019
147,612	2020
99,795	2021
103,326	2022
303,069	2023
182,942	2024
330,702	2025
224,879	2026
266,622	2027
122,078	2028
<u>411,601</u>	Without deduction time limit
<u>\$ 2,268,997</u>	

g. Income tax assessments

The income tax returns through 2016 for the Corporation, and through 2016 to 2017 for domestic subsidiaries have been assessed by the tax authorities.

27. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

a. Net profit for the year

	For the Year Ended December 31	
	2018	2017
Net profit attributable to owners of the Corporation	<u>\$ 461,322</u>	<u>\$ 417,558</u>

- b. Weighted average number of ordinary shares outstanding (in thousand of shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in the computation of basic earnings per share	124,717	127,474
Add: Employees' compensation issued	<u>567</u>	<u>481</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>125,284</u>	<u>127,955</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. BUSINESS COMBINATIONS

- a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)
Neweb Technologies Co., Ltd.	Information software wholesale and electronic data supply services	April 9, 2018	59

In order to integrate resources for cost reduction, stabilize operations, enhance competitiveness and expand business scale, the board of directors of the Corporation approved a share exchange agreement with Neweb Technologies Co., Ltd. in January 26, 2018. The Corporation obtained 56,233 thousand shares (around 59% ownership) of Neweb Technologies Co., Ltd. and subsequently obtained control of Neweb Technologies Co., Ltd. and its subsidiaries, Taiwanpay Co., Ltd. and Newebpay Co., Ltd. by exchanging shares of the Corporation's own subsidiaries, ezPay Co., Ltd. and Smartpath digital tech. Co. The record date for the share exchange was April 9, 2018. According to IFRS 3 "Business Combinations", this transaction is a reverse acquisition for ezPay Taiwan Co., Ltd. and Smartpath Digital Technology Co., Ltd., and Neweb Technologies Co., Ltd. is the legal acquirer but the accounting acquiree. Conversely, ezPay Taiwan Co., Ltd. and Smartpath Digital Technology Co., Ltd. are the legal acquirees but the accounting acquirers.

After the aforementioned reverse acquisition, ezPay Taiwan Co., Ltd. and Smartpath Digital Technology Co., Ltd. became wholly-owned subsidiaries of Neweb Technologies Co., Ltd. The Corporation obtained 59% of the shares of Neweb Technologies Co., Ltd. that amounted to \$296,361 thousand, and reduced 30% and 41% of the shares of Taiwanpay Co., Ltd. and Newebpay Co., Ltd., respectively. That resulted in an increase in the non-controlling interests of \$114,306 thousand, causing the equity attributable to owners of the Corporation to increase by \$182,055 thousand, which was classified as capital surplus - changes in percentage of ownership interests in subsidiaries.

b. Consideration transferred

The consideration transferred from the reverse acquisition of Newweb Technologies Co., Ltd was \$498,503 thousand, which was determined by deliberating the reasonable price agreed upon in the opinion letter from the independent expert.

c. Assets acquired and liabilities assumed at the date of acquisition

	Amount
Current assets	
Cash and cash equivalents	\$ 48,205
Accounts receivable and other receivables	30,637
Other financial assets - current	268,131
Others	11,062
Noncurrent assets	
Financial assets at fair value through other comprehensive income - noncurrent	21,466
Property, plant and equipment	31,789
Intangible assets	23,536
Deferred tax assets	7,198
Other financial assets - noncurrent	9,827
Others	33,330
Current liabilities	
Short-term borrowings	(108,396)
Accounts payable and other payables	(20,845)
Temporary receipts	(65,049)
Others	(22,014)
Noncurrent liabilities	
Long-term borrowings	(6,674)
Net defined benefit liabilities	(13,417)
Guarantee deposits received	<u>(25,993)</u>
	<u>\$ 222,793</u>

d. Goodwill recognized on acquisitions

	Amount
Consideration transferred	\$ 498,503
Add: Non-controlling interests	81,667
Less: Fair value of identifiable net assets acquired	<u>(222,793)</u>
Goodwill recognized on acquisitions	<u>\$ 357,377</u>

e. Net cash inflow on acquisition of subsidiaries

	Amount
Balance of cash and cash equivalents acquired	\$ 48,205
Less: Consideration paid in cash	<u>-</u>
	<u>\$ 48,205</u>

f. Impact of acquisitions on the results of the Group

The results of the acquiree s since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	April 1 to December 31, 2018
Revenue	<u>\$ 168,751</u>
Profit	<u>\$ (25,563)</u>

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been \$5,604,063 thousand, and the profit from continuing operations would have been \$452,591 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the last 2 years.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

30. OPERATING LEASE ARRANGEMENTS

Operating leases relate to part of subsidiaries' leases of business offices with lease terms gradually expiring in December 2023. The Group is able to renew the leases when they expire.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 32,827	\$ 35,905
Later than 1 year and not later than 3 years	<u>13,202</u>	<u>17,443</u>
	<u>\$ 46,029</u>	<u>\$ 53,348</u>

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The Group's management considers that the carrying amounts of financial instruments that are not measured at fair value approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Domestic listed marketable securities - investments in equity instruments	\$ 117,474	\$ -	\$ -	\$ 117,474
Domestic emerging securities investment in equity instruments	-	44,937	-	44,937
Private - placement shares of domestic listed companies	-	239,152	-	239,152
Domestic unlisted shares	-	-	17,342	17,342
Foreign unlisted shares	-	-	<u>45,500</u>	<u>45,500</u>
	<u>\$ 117,474</u>	<u>\$ 284,089</u>	<u>\$ 62,842</u>	<u>\$ 464,405</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed marketable securities - investments in equity instruments	\$ 128,708	\$ -	\$ -	\$ 128,708
Emerging securities investment in equity instruments	-	62,247	-	62,247
Private - placement shares of domestic listed companies	-	<u>177,405</u>	-	<u>177,405</u>
	<u>\$ 128,708</u>	<u>\$ 239,652</u>	<u>\$ -</u>	<u>\$ 368,360</u>

There were no transfers between Levels 1 and 2 in 2018 and 2017.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Domestic emerging marketable securities - investments in equity instruments	If emerging shares are not traded in an active market, the management adopts valuation techniques to establish the fair value of emerging shares.
Private - placement shares of domestic listed companies	Fair value is the determined by the management with reference to the price with observable market evidence or net value

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic and foreign unlisted shares were assessed and determined by the management with reference to the price with observable market evidence or net value..

b. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Loans and receivables 1)	\$ -	\$ 9,863,927
Available-for-sale financial assets 2)	-	413,860
Financial assets at amortized cost 1)	10,505,653	-
Financial assets at FVTOCI	464,405	-
<u>Financial liabilities</u>		
Amortized cost 3)	5,063,136	3,170,406

1) The balances include financial assets and loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets and refundable deposits..

2) The balances include the carrying amount of available-for-sale financial assets measured at cost and financial assets measured at cost.

3) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and accounts payable (including related parties), other payables, other financial liabilities - current, and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include time deposits, equity investments, accounts receivable, accounts payable, and borrowings. The Group's corporate treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The corporate treasury function reports regularly to the Group's risk management committee.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below), and other price risk (see (c) below).

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 35.

Sensitivity analysis

The Group is mainly exposed to the USD and the HKD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity analysis included only the above outstanding deposits, the item of receivables and payables, not designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	Impact on profit or loss	
	For the Year Ended December 31	
	2018	2017
USD	\$ 988	\$ 1,228
HKD	1,140	846

b) Interest rate risk

The carrying amounts of the Group's financial assets with exposure to interest rates at the end of the reporting period are as follows:

	December 31	
	2018	2017
Cash flow interest rate risk		
Financial assets	\$ 5,166,725	\$ 3,498,646

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would increase/decrease by \$51,667 thousand and \$34,986 thousand, respectively, which was mainly attributable to the Group's variable-rate bank deposits.

c) Other price risk

The Group was exposed to equity price risk through its investments in marketable security investments in equity instruments. The equity investments are held for strategic rather than trading purposes.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by \$4,644 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the year ended December 31, 2017 would have increased/decreased by \$3,684 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation provided by the Group, could be equal to the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

For the financial risk management policies adopted by the Group, refer to Note 7.

The Group's credit risk is mainly concentrated in the following groups' accounts receivable and other receivables:

	December 31	
	2018	2017
Group A	\$ 648,221	\$ 797,866
Group B	<u>321,259</u>	<u>360,877</u>
	<u>\$ 969,480</u>	<u>\$ 1,158,743</u>

The Group's concentration of credit risk accounted for 39% and 50% of total accounts receivable and other receivables from the above-mentioned groups as of December 31, 2018 and 2017, respectively..

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity risk for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

	Within 4 Months	At least 5 Months	Total
<u>December 31, 2018</u>			
Non-interest bearing liabilities	\$ 3,427,414	\$ 72,049	\$ 3,499,463
Fixed interest rate instruments	<u>20,881</u>	<u>85,167</u>	<u>106,048</u>
	<u>\$ 3,448,295</u>	<u>\$ 157,216</u>	<u>\$ 3,605,511</u>

(Continued)

	Within 4 Months	At least 5 Months	Total
<u>December 31, 2017</u>			
Non-interest bearing liabilities	<u>\$ 3,105,645</u>	<u>\$ 62,216</u>	<u>\$ 3,167,861</u> (Concluded)

b) Financing facilities

	<u>December 31</u>	
	2018	2017
Bank loan facilities		
Amount used	\$ 75,000	\$ -
Amount unused	<u>105,000</u>	<u>-</u>
	<u>\$ 180,000</u>	<u>\$ -</u>

32. TRANSACTIONS WITH RELATED PARTIES

Details of transactions, balances of accounts, gains and losses between the Corporation and its subsidiaries (the Corporation's related parties) have been eliminated at the time of consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are as follows:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Taiwan Taomee Co., Ltd. (Taomee)	Associates
Sky Touch Co., Ltd. (Sky Touch)	Associates
We Can Financial Technology Co., Ltd. (We can)	Associates
Fun Yours Technology Co., Ltd. (Fun Yours)	Related party in substance (The Corporation as legal directors of investee companies)
Asure Corporation (Asure)	Related party in substance (The person in charge is the Corporation chairman's second-degree relative)
Ko, Hsiu-Yen	Related party in substance (The Corporation chairman's second-degree relative)

b. Operating Revenue

For the year ended December 31, 2018

Line Item	Related Party Category	Amount
Sale of goods	Related party in substance	<u>\$ 2,368</u>
Rendering of services	Associates	\$ 15,187
	Related party in substance	<u>168</u>
		<u>\$ 15,355</u>

The selling price for the sale of goods and licences to related parties was not significantly different from that of normal customers. Except for the revenue from the rendering of advertising design services where similar transactions with unrelated parties are not available for comparison, MyCard service revenue was recognized according to the terms in each agreement. The payment terms (bimестrial commercial note) to related parties was similar to that for third parties.

For the year ended December 31, 2017

Sales of MyCard to related parties by the Group was follows:

Line Item	Related Party Category	Amount
Sale of goods	Associates	\$ 5
	Related party in substance	<u>890,570</u>
		<u>\$ 890,575</u>

The Group's recognized receipts in advance upon the sale of MyCard, and then recognized revenue when the customers used MyCard in exchange for specified goods or services in accordance with the way of calculating deferring items. As a result, there is the difference between operating revenues and the above disclosure of the sale of goods.

The details of sales of other authorized online-game cards, game packages, advertisements and other operating revenue from sales to the related parties were as follows:

Line Item	Related Party Category	Amount
Other operating revenue	Associates	\$ 15,398
	Related party in substance	<u>26,350</u>
		<u>\$ 41,748</u>

Except advertising and other operating revenues that cannot be compared because of the lack of the similar transactions, there is no significant difference in the selling price between related parties and general customers. The payment terms (bimестrial commercial note) to related parties was similar to that for third parties.

c. Purchase of goods

Related party type	For the Year Ended December 31	
	2018	2017
Associates	\$ 1,124	\$ 52,068
Related party in substance	<u>9,566</u>	<u>16,216</u>
	<u>\$ 10,690</u>	<u>\$ 68,284</u>

Under the application of IFRS 15, the Corporation shall be an agent in its exclusive card (MyCard) transactions. For detailed description, refer to Note 3 and Note 4(q).

The Group purchased from related parties at prices and terms based on franchise agreements. The Group purchased game software from related parties which did not have similar transactions with third parties. But the payment terms were not significantly different from those purchased from third parties.

d. Receivables from related parties

Line Item	Related Party Category	December 31	
		2018	2017
Accounts receivable - related parties	Associates	\$ 1,193	\$ 125
	Related party in substance	13	30,580
		<u> </u>	<u> </u>
		<u>\$ 1,206</u>	<u>\$ 30,705</u>
Other receivables	Related party in substance	<u>\$ 32,370</u>	<u>\$ -</u>

Other receivables from related parties were mainly receivables that the Corporation sold its exclusive MyCard through related parties and had prepayments for related parties.

The outstanding receivables from related parties were unsecured. There was no allowance for impairment loss under the item of receivables from related parties for the years ended December 31, 2018 and 2017.

e. Payables to related parties

Line Item	Related Party Category	December 31	
		2018	2017
Notes payable - related parties	Associates - Taomee	\$ 5,449	\$ 6,750
	Related party in substance	688	688
		<u> </u>	<u> </u>
		<u>\$ 6,137</u>	<u>\$ 7,438</u>
Accounts payable - related parties	Associates	\$ 1,180	\$ 2,923
	Related party in substance	2,171	2,172
		<u> </u>	<u> </u>
		<u>\$ 3,351</u>	<u>\$ 5,095</u>
Other payables	Associates	<u>\$ 3,587</u>	<u>\$ 64</u>

The outstanding payables to related parties were unsecured.

f. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 44,055	\$ 43,387
Post-employment benefits	<u>217</u>	<u>67</u>
	<u>\$ 44,272</u>	<u>\$ 43,454</u>

33. ASSETS PLEDGED AS COLLATERAL OR SECURITY

The following assets were provided as collateral for the letter of performance bonds for subsidies from the Industrial Development Bureau and Institute for Information Industry, the letter of performance bond for points, bank loans, and collateral for third-party payment providers:

	For the Year Ended December 31	
	2018	2017
Other financial assets - current		
Pledged demand deposits	\$ 17,711	\$ 49,034
Pledged time deposits	<u>10,110</u>	<u>44,000</u>
	<u>27,821</u>	<u>93,034</u>
Property, plant and equipment		
Land	109,463	109,463
Buildings	<u>86,982</u>	<u>89,344</u>
	<u>196,445</u>	<u>198,807</u>
	<u>\$ 224,266</u>	<u>\$ 291,841</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As disclosed in Note 33, the Group provided demand deposits, time deposits and property, plant, and equipment as collateral for performance guarantees of unused MyCard points. As of December 31, 2018 and 2017, the credit line committed by banks were \$806,000 thousand and \$1,100,000 thousand, respectively.
- b. The Group applied for a financial subsidy from the Institute for Information Industry and issued a guarantee note for \$20,000 thousand as collateral as of December 31, 2017.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<u>December 31, 2018</u>				
Financial assets				
Monetary items				
USD	\$ 5,243	30.715	(USD:NTD)	\$ 161,050
HKD	37,210	3.921	(HKD:NTD)	145,901

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Non-monetary items				
Financial assets at fair value through other comprehensive income				
HKD	\$ 624	3.921	(HKD:NTD)	\$ 2,447
Financial liabilities				
Monetary items				
USD	2,027	30.715	(USD:NTD)	62,251
HKD	8,126	3.921	(HKD:NTD)	31,864
<hr/> December 31, 2017 <hr/>				
Financial assets				
Monetary items				
USD	5,448	29.76	(USD:NTD)	162,143
HKD	22,748	3.807	(HKD:NTD)	86,602
Non-monetary items				
Available-for-sale financial assets				
HKD	1,428	3.807	(HKD:NTD)	5,437
Financial liabilities				
Monetary items				
USD	1,321	29.76	(USD:NTD)	39,326
HKD	518	3.807	(HKD:NTD)	1,971
(Concluded)				

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains and losses were a gain of \$18,621 thousand and a loss of \$7,085 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 3
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
 - 9) Trading in derivative instruments: None
 - 10) Intercompany relationships and significant intercompany transactions: Table 6
 - 11) Information on investees: Table 7
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on each operating entity and the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

- Soft-World International Corporation (the Corporation), Soft-World (Hong Kong) International Corporation and its subsidiaries (Soft Word (Hong Kong)) - Production and agents of computer game

software and publishing of computer game magazines.

- Chinese Gamer International Corporation and its subsidiaries (Chinese Gamer) - Development of computer software and providing online game services.
- Game Flier International Corporation (Game Flier), Game First and its subsidiaries (Game First) - Agent of computer game and providing online game services.
- Neweb Technologies and its subsidiary (Neweb Technologies) (Notes 13 and 28) – Data Processing, data software and third-party payment services.
- Others - operating segments are the subsidiaries in the Group, for related information, refer to Note 13 since the subsidiaries do not meet the threshold and thus are not recognized as reportable segments.

Segment revenues and operating results

- a. The following is an analysis of the Group's revenues and results of operations by reportable segment.

For the year ended December 31, 2018

	Soft-world and Soft-world (Hong Kong)	Chinese Gamer	Game Flier and Game First	Neweb Technologies	Others	Adjustment and Elimination	Total
Revenue from external customers	\$ 2,426,867	\$ 599,895	\$ 913,795	\$ 625,075	\$ 987,035	\$ -	\$ 5,552,667
Inter-segment revenue	<u>214,371</u>	<u>343</u>	<u>27,943</u>	<u>378</u>	<u>101,187</u>	<u>(344,222)</u>	<u>-</u>
Total revenue	<u>\$ 2,641,238</u>	<u>\$ 600,238</u>	<u>\$ 941,738</u>	<u>\$ 625,453</u>	<u>\$ 1,088,222</u>	<u>\$ 344,222</u>	<u>\$ 5,552,667</u>
Segment profit (loss)	<u>\$ 554,492</u>	<u>\$ 51,886</u>	<u>\$ (26,549)</u>	<u>\$ (76,665)</u>	<u>\$ 68,785</u>	<u>\$ 13,877</u>	\$ 585,826
Other income							91,266
Other gain and loss							(11,140)
Share of profit of associates accounted for using the equity method							<u>(13,072)</u>
Segment profit before tax							<u>\$ 652,880</u>
Segment assets	<u>\$ 9,987,468</u>	<u>\$ 1,342,901</u>	<u>\$ 1,289,371</u>	<u>\$ 1,993,035</u>	<u>\$ 2,394,689</u>	<u>\$ (4,611,771)</u>	<u>\$ 12,395,693</u>
Segment liabilities	<u>\$ 4,317,202</u>	<u>\$ 219,562</u>	<u>\$ 207,294</u>	<u>\$ 1,110,536</u>	<u>\$ 443,623</u>	<u>\$ (652,246)</u>	<u>\$ 5,645,971</u>

For the year ended December 31, 2017

	Soft-world and Soft-world (Hong Kong)	Chinese Gamer	Game Flier and Game First	Others	Adjustment and Elimination	Total
Revenue from external customers	\$ 14,801,131	\$ 231,069	\$ 34,703	\$ 545,026	\$ -	\$ 15,611,929
Inter-segment revenue	<u>96,964</u>	<u>136,440</u>	<u>870,399</u>	<u>252,475</u>	<u>(1,356,278)</u>	<u>-</u>
Total revenue	<u>\$ 14,898,095</u>	<u>\$ 367,509</u>	<u>\$ 905,102</u>	<u>\$ 797,501</u>	<u>\$ (1,356,278)</u>	<u>\$ 15,611,929</u>
Segment profit (loss)	<u>\$ 551,882</u>	<u>\$ (67,681)</u>	<u>\$ 45,681</u>	<u>\$ (125,722)</u>	<u>\$ 7,385</u>	\$ 411,494
Other income						73,931
Other gain and loss						36,479
Share of profit of associates accounted for using the equity method						<u>(28,357)</u>
Segment profit before tax						<u>\$ 493,547</u>
Segment assets	<u>\$ 9,841,208</u>	<u>\$ 1,236,938</u>	<u>\$ 1,475,683</u>	<u>\$ 1,707,278</u>	<u>\$ (2,953,721)</u>	<u>\$ 11,307,386</u>
Segment liabilities	<u>\$ 4,167,984</u>	<u>\$ 172,775</u>	<u>\$ 210,196</u>	<u>\$ 695,096</u>	<u>\$ (357,606)</u>	<u>\$ 4,888,445</u>

The above reporting revenue is generated from the transactions with external customers.

Segment profit represents the profit before tax earned by each segment without non-operating income and loss. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Revenue from major products and services

	For the Year Ended December 31, 2018
Rendering of services	\$ 3,676,767
Sale of goods	807,871
Operating of games	800,541
Royalties	<u>267,488</u>
	<u>\$ 5,552,667</u>
	For the Year Ended December 31, 2017
MyCard	\$ 13,683,782
Recharge card and game package	630,410
Others	<u>1,297,737</u>
	<u>\$ 15,611,929</u>

c. Geographical information

The Group operates in two principal geographical areas - Taiwan (R.O.C) and China.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Taiwan (R.O.C)	\$ 5,032,193	\$ 14,060,532	\$ 463,292	\$ 388,046
China	417,565	1,381,961	62,385	68,061
Others	<u>102,909</u>	<u>169,436</u>	<u>13,872</u>	<u>14,250</u>
	<u>\$ 5,552,667</u>	<u>\$ 15,611,929</u>	<u>\$ 539,549</u>	<u>\$ 470,357</u>

Non-current assets exclude financial instruments, goodwill, deferred tax assets and net defined benefit assets, etc.

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

		For the Year Ended December 31			
		2018		2017	
		Amount	%	Amount	%
Company A		\$ -	-	\$ 4,457,622	29
Company B		<u>-</u>	<u>-</u>	<u>1,669,556</u>	<u>11</u>
		<u>\$ -</u>	<u>-</u>	<u>\$ 6,127,178</u>	<u>40</u>

TABLE 1

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance	Actual Amount Drawn	Interest Rate (%)	Nature for Financing	Transaction Amount	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Total Financing Amount Limit	Note
													Item	Value			
0	The Corporation	Fast Distributed Cloud Computing Co., Ltd.	Other receivables - related parties	Yes	\$ 16,000	\$ 16,000	\$ -	2.63	The need for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 850,540	\$ 2,268,106	Note 1
0	The Corporation	Efun International Corporation	Other receivables - related parties	Yes	40,000	-	-	2.63	The need for short-term financing	-	Operating capital	-	-	-	850,540	2,268,106	Note 1
0	The Corporation	Smartpath Digital Technology Co., Ltd.	Other receivables - related parties	Yes	100,000	-	-	2.63	The need for short-term financing	-	Operating capital	-	-	-	850,540	2,268,106	Note 1
0	The Corporation	Neweb Technologies Co., Ltd.	Other receivables - related parties	Yes	30,000	30,000	30,000	2.63	The need for short-term financing	-	Operating capital	-	-	-	850,540	2,268,106	Notes 1 and 2
1	Game First International Corporation	Compete ! Games Interactive Entertainment Corporation	Other receivables - related parties	Yes	20,000	-	-	2.63	The need for short-term financing	-	Operating capital	-	-	-	53,667	143,111	Note 1
1	Game Flier International Corporation	Jhih Long Venture Capital Corporation	Other receivables - related parties	Yes	100,000	-	-	2.63	The need for short-term financing	-	Operating capital	-	-	-	108,645	289,719	Note 1

Note 1: The total amount for lending to a company shall not exceed 15% of the net worth of the financing company. The total available amount for lending to a company shall not exceed 40% of the net worth of the financing company.

Note 2: Eliminated when preparing the consolidated financial statements.

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Endorsee/Guarantee		Amount Provided to Each Guaranteed Party	Maximum Balance for the Year	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 1)											
0	The Corporation	Neweb Technologies Co., Ltd.	2	\$ 1,134,053	\$ 280,000	\$ 280,000	\$ 175,000	\$ -	5.00	\$ 2,835,133	Y	N	N	Note 2
0	The Corporation	Smartpath Digital Technology Co., Ltd.	2	1,134,053	300,000	-	-	-	5.00	2,835,133	Y	N	N	Note 2
0	The Corporation	ezPay Co., Ltd.	2	1,134,053	90,000	-	-	-	2.00	2,835,133	Y	N	N	Notes 2 and 3

Note 1: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

- 1) A company that the Corporation has a business relationship with.
- 2) The Corporation owns directly or indirectly over 50% of the equity of the investee company.
- 3) The company that owns directly or indirectly hold over 50% of the equity of the Corporation.
- 4) Companies in which over 90% of voting shares combined are directly or indirectly owned by an entity.
- 5) The Corporation is required to provide guarantees or endorsements for the construction project based on the construction contract.
- 6) Shareholder of the investee provides endorsements/guarantees to the company in proportion to their shareholding percentages.
- 7) According to the Consumer Protection Act, companies in the same industry enter into collateral performance guarantees for pre-construction home sales agreements.

Note 2: The ceilings on the amounts for any single entity shall not exceed 20% of the net worth of the Corporation. The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Corporation.

Note 3: The guaranteed party - Pay2go Corporation, was renamed as ezPay Co. in September 2018.

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Corporation	Stock							
	Userjoy Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	464,206	\$ 30,174	1	\$ 30,174	
	Softstar Entertainment Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	2,000,000	149,600	4	149,600	
	China Communications Media Group Co.,Ltd	-	Financial assets at fair value through other comprehensive income - noncurrent	270,351	2,652	1	2,652	
	Fun Yours Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	2,045,366	58,292	12	58,292	
	Kuobrothers Corporation	-	Financial assets at fair value through other comprehensive income - noncurrent	483,005	23,909	2	23,909	
	Gameone Holdings Limited.	-	Financial assets at fair value through other comprehensive income - noncurrent	1,200,000	2,447	1	2,447	
	China Digital Interactive Technology Group Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	350,000	45,500	2	45,500	
					<u>\$ 312,574</u>		<u>\$ 312,574</u>	
Game Flier International Corporation	Stock							
	Softstar Entertainment Inc.	-	Financial assets at fair value through other comprehensive income - noncurrent	1,150,000	<u>\$ 86,545</u>	2	<u>\$ 86,545</u>	
Jhih Long Venture Capital Corporation	Stock							
	9Splay Entertainment Technology Co., LTD	-	Financial assets at fair value through other comprehensive income - noncurrent	869,014	\$ 44,937	3	\$ 44,937	
	Soft-World International Corporation	The ultimate parent company	Financial assets at fair value through other comprehensive income - noncurrent	8,509,000	564,997	7	564,997	Note
					<u>\$ 609,934</u>		<u>\$ 609,934</u>	

(Continued)

Held Company Name	Type and Name of Marketable Securities	Relationship with The Company	Financial Statement Account	DECEMBER 31, 2018				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
Neweb Technologies Co., Ltd.	Stock Green World Hotels Co., Ltd.	-	Financial assets at fair value through other comprehensive income - noncurrent	258,625	\$ 3,007	-	\$ 3,007	
	Taiwan Smart Card Co.	-	Financial assets at fair value through other comprehensive income - noncurrent	3,140,671	17,342	20	17,342	
					<u>\$ 20,349</u>		<u>\$ 20,349</u>	

(Concluded)

Note: The Corporation's shares held by subsidiaries were considered treasury shares. For related information, refer to Note 23.

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Nature of relationship		Acquisition		Disposal			Ending Balance (Notes 1 and 2)		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount
The Corporation	Stock Pay2go	Investments accounted for using the equity method	Neweb Technologies Co., Ltd.	Unrelated party	49,056,667	\$ 329,210	-	\$ -	49,056,667	\$ 312,839	\$ 312,839	\$ -	-	\$ -
	Neweb technologies	Investments accounted for using the equity method	Neweb Technologies Co., Ltd.	Unrelated party	-	-	56,232,998	519,532	-	-	-	-	56,232,998	445,132
Jhih Long Venture Capital Corporation	Stock The Corporation	Financial assets at fair value through other comprehensive income - noncurrent	-	-	-	-	8,536,000	719,552	27,000	2,252	2,238	14	8,509,000	564,997

Note 1: Ending balance included unrealized gain/loss on financial assets, share of profit/loss accounted for using the equity method, and related equity adjustments.

Note 2: Eliminated when preparing the consolidated financial statements.

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Game First International Corporation	Soft-World International Corporation	The Company's parent company	\$ 246,720	-	\$ -	-	\$ 208,482	\$ -
Game Flier International Corporation	Soft-World International Corporation	The Company's parent company	102,713	-	-	-	72,175	-
Chinese Gamer International Corporation	Soft-World International Corporation	The Company's parent company	101,402	-	-	-	79,137	-

Note: Eliminated when preparing the consolidated financial statements.

TABLE 6

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			% of Total Operating Revenues (Assets)
				Financial Statement Accounts	Amount	Payment Terms	
0	The Corporation	Chinese Gamer International Corporation	Parent to subsidiaries	Operating revenue	\$ 41,274	None	1.00
0	The Corporation	Chinese Gamer International Corporation	Parent to subsidiaries	Accounts receivable	21,002	None	-
0	The Corporation	Game Flier International Corporation	Parent to subsidiaries	Operating revenue	81,371	Does not have the same transactions with unrelated parties	1.00
0	The Corporation	Game Flier International Corporation	Parent to subsidiaries	Accounts receivable	19,995	None	-
0	The Corporation	Game Flier International Corporation	Parent to subsidiaries	Other receivables	3,887	Receipts under custody receivable and payables for receipts under custody, etc.	-
0	The Corporation	Soft-World International (Hong Kong) Corporation	Parent to subsidiaries	Other receivables	56,322	Receipts under custody receivable	-
0	The Corporation	Game First International Corporation	Parent to subsidiaries	Operating revenue	84,358	Not have the same transactions with unrelated parties	2.00
0	The Corporation	Game First International Corporation	Parent to subsidiaries	Accounts receivable	7,016	None	-
0	The Corporation	Zealot Digital International Corporation	Parent to subsidiaries	Operating revenue	1,003	Not have the same transactions with unrelated parties	-
0	The Corporation	Zealot Digital International Corporation	Parent to subsidiaries	Other receivables	1,372	Receipts under custody receivable and payables for receipts under custody, etc.	-
0	The Corporation	Re: Ad Media (Taiwan) Corporation	Parent to subsidiaries	Other receivables	95,021	None	1.00
0	The Corporation	Neweb Technologies Co., Ltd.	Parent to subsidiaries	Other receivables	30,495	Loans and interests receivable	-
0	The Corporation	CELAD Incorporated	Parent to subsidiaries	Operating revenue	1,060	Not have the same transactions with unrelated parties	-
0	The Corporation	Game Topia. Co. Ltd.	Parent to subsidiaries	Accounts receivable	18,539	None	-
0	The Corporation	Efun International Corporation	Parent to subsidiaries	Other receivables	1,128	None	-
1	Game Flier International Corporation	The Corporation	Subsidiaries to parent	Operating revenue	5,464	Not have the same transactions with unrelated parties	-
1	Game Flier International Corporation	The Corporation	Subsidiaries to parent	Accounts receivable	102,713	None	1.00
2	Game First International Corporation	The Corporation	Subsidiaries to parent	Operating revenue	11,663	Not have the same transactions with unrelated parties	-
2	Game First International Corporation	The Corporation	Subsidiaries to parent	Accounts and notes receivable	246,720	None	2.00
3	Chinese Gamer International Corporation	The Corporation	Subsidiaries to parent	Accounts receivable	101,402	None	1.00

(Continued)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Operating Revenues (Assets)
4	Zealot Digital International Corporation	The Corporation	Subsidiaries to parent	Operating revenue	\$ 27,553	Not have the same transactions with unrelated parties	-
4	Zealot Digital International Corporation	The Corporation	Subsidiaries to parent	Accounts receivable	3,602	None	-
5	Fast Distributed Cloud Computing Co.,Ltd.	The Corporation	Subsidiaries to parent	Operating revenue	4,579	None	-
6	Efun International Corporation	The Corporation	Subsidiaries to parent	Operating revenue	17,293	Not have the same transactions with unrelated parties	-
6	Efun International Corporation	The Corporation	Subsidiaries to parent	Accounts receivable	1,224	None	-
7	Re:Ad Media (Taiwan) Corporation	The Corporation	Subsidiaries to parent	Operating revenue	3,192	None	-

(Concluded)

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of shares	(%)	Carrying Amount			
The Corporation	Chinese Gamer International Corporation	Republic of China	Network authentication, data storage, manufacture of equipment, data processing service, electronic information providing service, and general advertising service, etc.	\$ 371,319	\$ 391,447	41,880,205	49.00	\$ 493,096	\$ 38,970	\$ 15,551	Subsidiary (Note 7)
The Corporation	Game Flier International Corporation	Republic of China	Electronic data information providing service, etc.	217,846	217,834	28,326,330	98.00	713,434	8,178	8,041	Subsidiary (Note 7)
The Corporation	Game First International Corporation	Republic of China	Online game service	27,813	58,613	16,684,063	70.00	250,445	(25,265)	(17,686)	Subsidiary (Note 7)
The Corporation	Global Concept Corporation	Samoa	Investment company	295,068	295,068	9,631,253	100.00	239,486	24,138	24,138	Subsidiary (Note 7)
The Corporation	Soft-World International (Hong Kong) Corporation	Hong Kong	Trading of game software	88,858	88,858	3,883,558	100.00	514,906	13,121	13,121	Subsidiary (Note 7)
The Corporation	Zealot Digital International Corporation	Republic of China	Electronic data information providing service, etc.	50,874	50,874	8,904,162	99.00	78,344	(6,947)	(6,873)	Subsidiary (Note 7)
The Corporation	Pay2go Technology Corporation	Republic of China	Third party payment service	-	490,567	-	-	-	(48,477)	(16,371)	Subsidiary (Note 7)
The Corporation	Efun International Co., Ltd.	British Virgin Islands	Investment company	81,312	81,312	2,368,000	89.00	6,201	2,254	1,999	Subsidiary (Note 7)
The Corporation	Soft-World Technology Pte. Ltd.	Singapore	Manufacturing, processing, trading, design and selling and also an agent of various computer software and accessories, etc.	24,102	24,102	1,030,000	100.00	20,479	(3,331)	(3,331)	Subsidiary (Note 7)
The Corporation	Dynasty International Information Corporation	Republic of China	Development, design, trading of computer software.	14,667	14,667	1,460,610	86.00	14,213	10,803	9,281	Subsidiary (Note 7)
The Corporation	Jorsen Technology Co., Ltd	Republic of China	Wholesale, retail sale, and service for information software, etc.	-	3,400	-	-	-	796	686	Subsidiary (Notes 2 and 7)
The Corporation	Jhieh Long Venture Capital Corporation	Republic of China	Investment company	100,000	100,000	10,000,000	13.00	7,430	4,379	(1,734)	Subsidiary (Note 7)
The Corporation	Zealot Digital Pte. Ltd.	Singapore	Development and sale of game software, etc.	261,882	236,465	26,155,679	100.00	(4,854)	(23,279)	(23,279)	Subsidiary (Note 7)
The Corporation	Sofaman Corporation	Republic of China	Development and sale of game software	2,766	2,766	276,600	60.00	(5,187)	(5,197)	(3,118)	Subsidiary (Note 7)
The Corporation	Smartpath Digital Technology Co., Ltd.	Republic of China	Network authentication, data processing service, electronic information providing service, third party payment and other business service, etc.	-	20,000	-	-	-	10,185	4,964	Subsidiary (Note 7)
The Corporation	Re: Ad Media Corporation	Samoa	Investment company	5,247	10,759	161,670	51.00	6,538	4,026	2,051	Subsidiary (Note 7)
The Corporation	Fast Distributed Cloud Computing Co., Ltd.	Republic of China	Retail sale, wholesale and service for information software, etc.	17,583	17,583	1,020,000	100.00	34,506	15,032	15,032	Subsidiary (Note 7)
The Corporation	Interactive Entertainment Technology Co., Ltd.	Samoa	Investment company	15,485	15,485	480,000	80.00	15,424	38	30	Subsidiary (Note 7)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of shares	(%)	Carrying Amount			
The Corporation	Joy Children Technology Co., Ltd.	Republic of China	Wholesale and retail sale of stationery articles, musical instruments and educational entertainment article, etc.	\$ 20,512	\$ 20,512	2,051,153	32.00	\$ 13,879	\$ (3,982)	\$ (1,340)	Note 1
The Corporation	Ijoing, Inc.	Republic of China	Wholesale and retail sale of software publication and information software, etc.	1,600	1,600	160,000	11.00	84	(2,823)	(303)	Note 1
The Corporation	We Can Financial Technology Co., Ltd.	Republic of China	Development of financial system and equipment, etc.	23,959	20,000	3,131,000	31.00	7,684	(36,287)	(7,251)	Note 1
The Corporation	Neweb Technologies Co., Ltd.	Republic of China	Wholesale and retail sale of information software and electronic information providing services	510,567	-	56,232,998	50.00	445,132	(81,096)	(36,662)	Subsidiary (Note 7)
The Corporation	Long Xiang Investment Corporation	Republic of China	Investment company	250,000	-	25,000,000	44.00	19,273	3,243	(3,952)	Subsidiary (Note 7)
The Corporation	Efun International Corporation	Republic of China	Information software and data processing services	77,270	-	7,726,988	89.00	122,877	51,423	43,461	Subsidiary (Note 7)
The Corporation	CELAD Incorporated	Republic of China	Network authentication, data storage, manufacture of equipment, data processing service, electronic information providing service, general advertising service, etc.	10,000	-	1,000,000	25.00	1,384	(12,314)	(2,332)	Subsidiary (Note 7)
The Corporation	Re: Ad Media Corporation	Republic of China	General advertising services	14,094	-	1,275,000	51.00	21,241	7,083	1,844	Subsidiary (Note 7)
Chinese Gamer International Corporation	Taichigamer (B.V.I.) Co., Ltd.	British Virgin Islands	Investment company	96,942	96,942	3,041,698	100.00	167,882	30,348	30,348	Subsidiary (Note 7)
Chinese Gamer International Corporation	Walkfun International Corporation	Republic of China	Network authentication, data storage, manufacture of equipment, data processing service, electronic information providing service, general advertising service, etc.	15,000	15,000	1,500,000	100.00	17,777	6,456	6,456	Subsidiary (Note 7)
Chinese Gamer International Corporation	CELAD Incorporated	Republic of China	Network authentication, data storage, manufacture of equipment, data processing service, electronic information providing service, general advertising service, etc.	20,000	10,000	2,000,000	50.00	2,828	(12,314)	(6,157)	Subsidiary (Note 7)
Chinese Gamer International Corporation	Super Game Corporation	Republic of China	Network authentication, data storage, manufacture of equipment, data processing service, electronic information providing service, general advertising service, etc.	5,000	5,000	500,000	50.00	1,048	42	21	Subsidiary (Note 7)
Chinese Gamer International Corporation	Jhieh Long Venture Capital Corporation	Republic of China	Investment company	100,000	100,000	10,000,000	13.00	81,192	4,379	424	Subsidiary (Note 7)
Chinese Gamer International Corporation	Star Diamond Universal Corporation	British Virgin Islands	Business related investee	82,772	48,980	52,000	100.00	88,791	6,163	6,163	Subsidiary (Note 7)
Chinese Gamer International Corporation	Fun Bear Corporation	Republic of China	Network authentication, data storage, manufacture of equipment, data processing service, electronic information providing service, general advertising service, etc.	8,000	8,000	800,000	50.00	3,780	6,330	3,165	Subsidiary (Note 7)
Chinese Gamer International Corporation	Game TOPIA Co., Ltd.	Republic of China	Network authentication, data storage, manufacture of equipment, data processing service, electronic information providing service, general advertising service, etc.	20,000	20,000	2,000,000	56.00	39,062	41,595	23,183	Subsidiary (Note 7)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of shares	(%)	Carrying Amount			
				Chinese Gamer International Corporation	Oriental Dragon Digital Co., Ltd.	Republic of China	Network authentication, data storage, manufacture of equipment, data processing service, electronic information providing service, general advertising service, etc.	\$ 8,000			
Chinese Gamer International Corporation	Long Xiang Investment Corporation	Republic of China	Investment company	168,000	-	16,800,000	30.00	136,447	3,243	959	Subsidiary (Note 7)
Taichigamer (B.V.I.) Co., Ltd.	Transasiagamer (B.V.I.) Co., Ltd.	British Virgin Islands	Investment company	94,264	94,264	2,976,934	100.00	160,920	30,330	30,330	Subsidiary (Note 7)
Transasiagamer Co., Ltd.	You Long Online (Beijing) Technology Corporation	China Mainland - Beijing	Development, production of computer software and accessories; homemade products, installation of computer hardware, repair, technique consulting, technique training, and sale of homemade products	69,569	69,569	-	100.00	133,390	30,995	30,995	Subsidiary (Note 7)
Star Diamond Universal Corporation	Dragon Gamer (Hong Kong) Co., Ltd.	Hong Kong	Information service	82,772	48,980	260,000	100.00	88,790	6,163	6,163	Subsidiary (Note 7)
Game Topia. Co. Ltd.	Game Topia (Hong Kong) Technology Corporation	Hong Kong	Information software service	987	987	3,300	100.00	8,277	7,230	7,230	Subsidiary (Note 7)
Global Concept Corporation	Value Central Corporation	Samoa	Investment company	45,452	45,452	1,450,000	100.00	20,076	-	-	Subsidiary (Note 7)
Global Concept Corporation	Fast Distributed Cloud Computing (Samoa) Co., Ltd.	Samoa	Investment company	-	6,611	-	-	-	784	784	Subsidiary (Notes 2 and 7)
Global Concept Corporation	Gamers Grande Corporation	Malaysia	Business related investee	179,788	179,788	6,453,621	100.00	154,313	29,688	29,688	Subsidiary (Note 7)
Global Concept Corporation	Playgame Sdn. Bhd.	Malaysia	Investment company	56,074	56,074	30,250	30.00	32,436	(12,841)	(3,884)	Note 1
Value Central Corporation	Picked United Development	Hong Kong	Acquisition and royalty for game software	20,255	20,255	4,700,000	100.00	16,280	(104)	(104)	Subsidiary (Note 7)
Game Flier International Corporation	Soft-Orient Corporation	Brunei	Business related investee	254,872	254,872	7,784,134	100.00	16,815	114	114	Subsidiary (Note 7)
Game Flier International Corporation	Game Flier (Malaysia) Sdn. Bhd.	Malaysia	Development, manufacture and sale of game software	100,276	100,276	10,793,204	100.00	(3)	111	111	Subsidiary (Note 7)
Game Flier International Corporation	Mobile Flier International Corporation	Republic of China	Agents and operation of smartphone games	28,000	28,000	2,800,000	100.00	16,294	(261)	(261)	Subsidiary (Note 7)
Game First International Corporation	Game First Asia Pte. Ltd.	Singapore	Online game service	-	16,463	-	-	-	-	-	Subsidiary (Notes 2 and 7)
Game First International Corporation	Compete ! Games Interactive Entertainment Corporation	Republic of China	Agent and operation of sports games	21,342	21,342	2,941,520	100.00	8,193	(7,758)	(7,758)	Subsidiary (Note 7)
Efun International Co., Ltd.	Efun International Corporation	Republic of China	Information software and data processing services	-	28,000	-	-	-	51,423	2,420	Subsidiary (Note 7)
Jhjh Long Venture Capital Corporation	SkyTouch Co., Ltd.	Republic of China	Manufacture of computers and accessories	20,002	20,002	673,915	31.00	1,695	(760)	(294)	Note 1
Re: Ad Media Corporation	Re:Ad Media Corporation	Republic of China	General advertising services	-	5,000	-	-	-	7,083	3,467	Subsidiary (Note 7)
Re: Ad Media Corporation	Re:Ad (Hong Kong) Corporation	Hong Kong	General advertising services	-	5,091	-	-	-	3	3	Subsidiary (Notes 2 and 7)
Interactive Entertainment Technology Co., Ltd.	Interactive Entertainment Technologies Corporation	Republic of China	Wholesale and service of information software	18,000	18,000	1,800,000	100.00	17,983	23	23	Subsidiary (Note 7)
Long Xiang Investment Corporation	Jhjh Long Venture Capital Corporation	Republic of China	Investment company	566,000	-	56,600,000	74.00	572,172	4,379	3,531	Subsidiary (Note 7)
Neweb Technologies Co., Ltd.	Smartpath Digital Technology Co., Ltd.	Republic of China	Third party payment service	-	-	-	-	-	10,185	5,222	Subsidiary (Notes 6 and 7)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of shares	(%)	Carrying Amount			
Neweb Technologies Co., Ltd.	Newebpay Corporation	Republic of China	Electronic data providing service	\$ 28,369	\$ -	1,000,000	100.00	\$ 230,010	\$ 4,394	\$ 3,927	Subsidiary (Note 7)
Neweb Technologies Co., Ltd.	Taiwanpay Co., Ltd.	Republic of China	Information software, processing of data, and third party payment service	-	-	-	-	-	(53,920)	(41,203)	Subsidiary (Notes 5 and 7)
Neweb Technologies Co., Ltd.	ezPay Co., Ltd.	Republic of China	Third party payment service	966,748	-	108,000,000	100.00	638,805	(69,686)	(49,097)	Subsidiary (Notes 5 and 7)

Note 1: Investments accounted for using the equity method.

Note 2: The company had completed liquidation for the year ended December 31, 2018.

Note 3: Share of gain/loss on investments recognized for the current year included unrealized gains or losses from upstream transactions.

Note 4: For investees in mainland China, refer to Table 8.

Note 5: Investee - Pay2go Technology Corporation and Taiwanpay Co., Ltd. combined in September 2018. Pay2go Technology Corporation (renamed as ezPay Co., Ltd.) is the surviving company, and Taiwanpay Co., Ltd. is the dissolved company.

Note 6: Investee - Smartpath Digital Technology Co., Ltd. and Neweb Technologies Co., Ltd. combined in December 2018. Neweb Technologies Co., Ltd. is the surviving company, and Smartpath Digital Technology Co., Ltd. is the dissolved company.

Note 7: Eliminated when preparing the consolidated financial statements.

(Concluded)

SOFT-WORLD INTERNATIONAL CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Lingo Soft (Beijing) Technology Co., Ltd.	Service of processing data	\$ 14,436	2	\$ 7,743	\$ -	\$ -	\$ 7,743	\$ -	33.00	\$ -	\$ 14,686	\$ -	
Soft-World International (Guangzhou) Corporation	Design, development, production, and sale of computer hardware and software	46,833	1	88,858	-	-	88,858	1,074	100.00	1,074	8,614	-	Note 3
Game Flier International Corporation (Beijing) (Note 4)	Development of techniques, transferring, service, consulting, training; production and sale of computer software and related hardware; internet information service	214,678	2	186,300	-	-	186,300	29,768	100.00	29,768	153,567	-	Note 5
Huei You Cyuan Jia Business Management Consulting (Guangzhou) Co., Ltd.	Business management consulting, design of business operation and advertising, consulting about technique, development of APP, wholesale of computers and accessories	4,607	2	3,722	-	-	3,722	-	1.00	-	2,652	-	
World Inside (Beijing) Technology Co., Ltd.	Business management consulting, design of business operations and advertising, technique consulting, development of APP, design of computer software, and other design services	55,900	2	45,500	-	-	45,500	-	2.00	-	45,500	-	
Ke Jiou Network Technology (Shanghai) Co., Ltd.	Technique for operating internet, development of hardware and software about computer, technique transferred, technique consulting, technique service, design of illusion, product, anime, business management consulting, business information consulting, computers, software and auxiliary equipment, wholesale of materials for advertising and agents for commission, etc.	3,071	2	75	-	-	75	-	-	-	-	-	Note 6

Investee Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2018	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
The Corporation (Note 7)	\$ 332,198	\$ 332,198	\$ 3,402,160
Game Flier International Corporation (Note 8)	102,636	102,636	434,579

(Continued)

Note 1: Calculated by the spot exchange rates of USD and CNY at the end of the period, which was 30.715 and 4.472, respectively.

Note 2: 1) The Corporation purchased Soft-World International (Hong Kong) Corporation for \$88,858 thousand (USD 2,738 thousand), and indirectly acquired full ownership of Soft-World International (Guangzhou) Corporation in October 2007. The Corporation had been authorized by Investment Commission, MOEA in September 2008.

2) Investments through a holding company was registered in a third region.

Note 3: Recognized gain/loss on investments based on the unaudited financial statements.

Note 4: Game Flier International Corporation had transferred investments in mainland China, Game Flier International Corporation (Beijing), to the Corporation's subsidiary a holding company registered in a third region, Global Concept Corporation, by its holding company registered in a third region, Soft-Orient Corporation, in August, 2012. Game Flier International Corporation had made remittance to Taiwan and obtained approval from Investment Commission, MOEA.

Note 5: Game Flier International Corporation (Beijing) distributed earnings that amounted to RMB9,000 thousand, to Gamers Grande Corporation in August 2010. As of December 31, 2018, Game Flier International Corporation (Beijing), hasn't transferred to Taiwan.

Note 6: The Corporation indirectly holds investments in mainland China, Ke Jiou Network Technology (Shanghai) Co., Ltd., through a holding company registered in a third region, Global Concept Corporation. The Corporation had disposed all of its equity of Ke Jiou Network Technology (Shanghai) Co., Ltd. in December 2015. The related amount had not been remitted to Taiwan as of December 31, 2018.

Note 7: The amount of accumulated outward remittance for investments from Taiwan as of December 31, 2018 and investment amount authorized by the Investment Commission, MOEA are both USD10,935,900.

Note 8: The amount of accumulated outward remittance for investments from Taiwan as of December 31, 2018 and investment amount authorized by the Investment Commission, MOEA are both USD2,554,848.

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