



SOFT-WORLD INTERNATIONAL CORPORATION

2018 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting.

If there is any discrepancy between the English and Chinese versions,
the Chinese version shall prevail.

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- I. Spokesperson and Deputy Spokesperson:
Name of spokesperson: CHUNG, HSING- PO
Title: President, Financial Management Center
TEL: (02) 2788-9188 # 221
E-mail address: IR@soft-world.com.tw
- Name of deputy spokesperson: HUNG, CHUN-YAO
Title: Assistant Vice President, Division of Public Relations
TEL: (02) 2788-9188 #221
E-mail address: alex@soft-world.com.tw
- II. Address and telephone number of the Head Office and branches:
Address of the Head Office: 13F., No. 1-16, Kuojian Rd., Cianjhen Dist., Kaohsiung City
TEL: (07) 815-0988
Taipei Office Address: 99-10, Section 2, Nangang Road, Taipei City
Tel. No.: (02) 2788-9188
Taichung Office Address: No. 380, Jhongcing Road, Situn District, Taichung City
TEL: (04) 2425-0000
- III. Name, address, website, and contact number of share administration agency:
Name: Yuanta Securities Co., Ltd.
Address: B1, No. 210, Sec. 3, Cheng De Road, Datong District.
Website: <http://www.yuanta.com.tw/>
Tel. No.: (02) 2586-5859
- IV. Name of CPAs, accounting firm, address, website and TEL for the financial reports of the most recent year:
Names of accountants: CPAs Qiu-yan Wu and Jia-ling Jiang
Name of CPA: Deloitte & Touche
Address: 3F., No. 88, Chenggong 2nd Rd., Kaohsiung City
Website: <http://www.deloitte.com.tw>
TEL: (07) 530-1888
- V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None.
- VI. Company website: <http://www.soft-world.com>

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I. Message to the Shareholders

Thank you for joining us at the 2019 annual general meeting of shareholders.

With great efforts by our employees and the full support of all our clients, Soft-World's 2018 consolidated revenues totaled NT\$5.553 billion. Net profits attributable to owners of the parent company were NT\$461 million and earnings per share were NT\$3.70.

The Soft-World Group is fully devoted to the development of three major business areas. We have been engaged in the game industry for decades. In recent years, we've also stepped into digital marketing and FinTech. Each company of the Group individually specializes in game development, game operation, game distribution, digital marketing and financial payment innovation to diversify operation so that we can move towards the diversification of the internet group territory.

The scale of Soft-World's main service, "MyCard", grows steadily every year. The MyCard Payment Gateway provides value-added service for digital content, with over 5.5 million members and the biggest market share in Taiwan, Hong Kong and Macau. Soft-World is more actively expanding its platform operations and is also providing promotion strategies, for instance exclusive dominated channels (e-PLAY), MyCard Bonus APP, interactive video advertising platforms, exhibition activities, and games multimedia channel etc. Soft-World could be considered the first choice in cooperation for local and overseas game companies.

On the game side, after years of transformation and sedimentation, the developer subsidiary Chinese Gamer had a great success last year. In 2018, Chinese Gamer launched the Japanese action RPG mobile game "Code: Reborn", and started focusing on transplanting classic online game to mobile game. The popular Three Kingdoms Chibi game "TS Online" was completely restored as an MMORPG mobile game, "TS M", and launched in September. It successfully won the favor of gamers and created brilliant results. For overseas plan, "TS M" authorized cooperation with ASIASOFT, a well-known game publisher in Southeast Asia, entering the Southeast Asian market and expanding service to overseas gamers this year. In 2019, we still have two famous classic mobile games, "Love Box M" and "Huang Yi M" to be launched.

In 2018, game operation subsidiary Game Flier International Corp. published a variety of new games, including the large vehicle shooting online game "Crossout" and the mobile games "One Hundred Thousand Bad Jokes - extra part", "Long Zhan Si Fang" and "Battle Storm". Its popular online game products also constantly bring splendid updated content and rich events in order to provide gamers with diversified game choices and localized professional services.

The global game market is constantly growing and the demand for game arts and music production services is strong. Zealot Digital International Corp. has more than 20 years of experience in game art and has solid creative grounding. In recent years, it has been actively involved in the field of game art production and specializes in the production of 2D/3D characters and scenes, action/special effects, and GUI interfaces. In 2018, it obtained large-scale art cooperation orders from two Korean and four Japanese game companies. Besides these, there are more than ten cooperating companies in the Chinese region as well. Soft-World Music Production Center also obtained incidental music cooperation for the mobile game "King of Kings 3D" from well-known Chinese game publisher Loong Entertainment. Its creative strength is highly recognized.

Game First International Corp. has also expanded its operation directions according to developing trends in the game industry. In addition to being involved in professional value-added services for game customer service and social media operation, last year it

further connected 300 cybercafes from Taiwan, Hong Kong and Macau to plan the largest-scale offline eSports “MyCard Cybercafe League,” joining hands with a vast number of game publishers to bring a variety of popular game competitions to create a high-profile and nationwide eSports stage. Besides, Game First International Corp. also obtained distribution cooperation from the PC version of popular global game “PlayerUnknown’s Battlegrounds” in May 2018 and launched “MyCard PlayerUnknown’s Battlegrounds” in Taiwan and Hong Kong.

For the digital marketing business division, subsidiaries Efun International Corporation and Re:AD Media Corporation have earned the Google Partner badge. In 2018, they have further obtained official authorization to become advertising agents of Facebook and Yahoo, providing the global partners comprehensive and professional digital advertising solutions and deepening the internet marketing applications to create more market opportunities.

To consider the development demands of the overall payment market in the future, the Soft-World Group has made significant resolutions in 2018 to integrate its payment subsidiaries Pay2go Technology Corporation and Smartpath Digital Tech Corporation with Neweb Technologies Co., Ltd. of Chander Electronics Corp. via share swap. It was the first case of large-scale integration of two large listed companies in Taiwan’s mobile payment industry. This brand-new holding structure of FinTech business consolidated the market advantages of both corporations to enhance the abilities of the following four aspects: payment platform operation, cultivate financial technology talents, mobile payment market share and financial management. In 2018, this business division has made a big breakthrough in growth and successfully leapt into the leading brand of mobile payment companies domestically.

In order to enhance the corporate identify and service qualities of the brand, Pay2go Technology Corporation has rebranded to ezPay Co., Ltd., and fully promotes the electronic payment service with the e-wallet brand “ezPay”. In 2018, “ezPay” has been cooperating with New Taipei City’ payment platform “New Taipei e-pay” to allow users to using ezPay to checkout at stores which alliances with New Taipei City. In September, it also jointly promoted the “Taipei Food Festival” event with the Taipei City government, and joined Taipei City’s smart payment platform “pay.taipei” so that people can easily pay for water bills, roadside parking fees and medical expenses. In addition, it has also opened up cross-border payment services for online stores, introduced Alipay from China, to open overseas inbound payment opportunities for online stores in Taiwan.

Looking forward to the future, Neweb Technologies Co. Ltd and ezPay Co. Ltd will be fully devoted to two major services: Collections and Payment Transfer & E-Wallet service, and developing a new offline payment service “ezAIO smart payment system” which integrated mainstream payment tools into one swipe device. This service will also help to actively expand the physical channel which can accept payment by using ezPay. Most importantly, main business objective of this year will be entering offline channel, developing multiple payment gateway and pushing up market scale and the growth of members.

Thanks to all employees’ countless efforts and the full support of our shareholders, directors, and supervisors, the business results of 2018 is as follows:

I. The 2018 Business Report

(1) 2018 Business Plan Result

The 2018 annual statement, examined by Deloitte Taiwan, consolidated net sales is NT\$5,552,667 thousand. Consolidated net profits for company owners is NT\$461 million. After tax EPS is NT\$3.70.

(2) Budget execution in 2018

No financial forecasting for 2018. This is not applicable.

(3) Financial income and expenditure, and profitability analysis

1. Financial Revenue and Expenditure

Unit: NT\$ thousand

Item	2018	2017	Increase (decrease) in amount	increase / decrease %
Operating revenue	5,552,667	15,611,929	(10,059,262)	(64.43)
Gross profit	3,101,350	2,703,321	398,029	14.72
Operating expenses	2,515,524	2,291,827	223,697	9.76
Net income	585,826	411,494	174,332	42.37
Net profit before taxation	652,880	493,547	159,333	32.28
Net income in current year	472,019	367,278	104,741	28.52
Profit attributable to the company's shareholders	461,322	417,558	43,764	10.48
Net loss belonging to non-controlling interest	10,697	(50,280)	60,977	(121.27)

2. Profitability analysis

Item		2018	2017
Return on assets %		4.00	3.25
Return on shareholders' equity (%)		7.17	5.70
Proportion of Paid-in Capital %	Net income	45.96	32.28
	Net profit before taxation	51.22	38.72
Net profit margin (%)		8.50	2.35
After tax EPS (NT\$) (Note)		3.70	3.28

(4) Research and development

Soft-World Group has been focusing on game products, manufacturing original games and proactively investing in game music and sound effect production. Research and development cost on 2018 Consolidated Statement totals NT\$418,388 thousand.

II. Summary of 2019 business plan

(I) Operating approaches and important production-marketing strategies

1. Continue to enrich MyCard's digital contents and add value to its application to consolidate leadership in Taiwan, Hong Kong and Macau:

MyCard is the most common GTC in Taiwan, Hong Kong, and Macau, with links to over 2,400 games and digital content services and products. Apart from developing GTC value-added applications, we extended GTC to offer integrated marketing service covering e-PLAY marketing and promotion, app marketing, and interactive videos to quickly capture marketing essentials to become the first choice of distribution channel for domestic and international game developers.

2. Focus on mobile games R&D through transplanting PC games and enhancing our own R&D capacity and local utility:

In 2018, the classic PC games transplant strategy was effective to ChineseGamer International Corporation, as witnessed by the success in launching *Warriors of Fate M*, which won praise from gamers. Two classic games: *Love Box M* and *Wong Yee M* will be masterpieces and will launch in 2019 to take gamers to rediscover the treasure of classic games. ChineseGamers will also transplant classic games including “*Legends of Emperor Online*” and “*Chinese Hero Online*” to mobile game in the future. In addition, we will keep close track on the new trend of game development, develop new game materials constantly, and introduce quality games from home and broad, in order to connect with the development trend of the game industry.

3. Expand the scope of characterized creation for game art and music production.

In response to the constant growth of the global game market, the demand for art and music production for games escalated. With over 20 years of experience in game art and rich know-how of asset creation, Zealot Digital will team up with Softworld Music Center expand the scope of art and music production service to effectively develop characterized creation. Currently, Zealot Digital has launched collaboration with game developers in Japan, South Korea, and China to co-develop opportunities in the entertainment business and enhance utility.

4. Vitalize IP resources and cultivate multiple licensing opportunities:

By engraining ourselves in the game industry, we have accumulated over 100 IP assets, including a range of classic single-player masterpieces, martial arts and chivalry fictions, and light novels. In addition to independent game development by our subsidiaries, we signed IP licensing and collaboration contracts with many Chinese game developers to develop various types of mobile games to accelerate mass production and share profit; combine IP and brand energy; and engage in cross-sector collaboration with animation, TV and branded goods to create multiple business opportunities for licensing.

5. Deepen the development of internet marketing media to expand the scope of digital advertising:

In response to the globalization of operations, marketing has shifted from traditional media to new media. In view of the market potential and demand for digital advertising, we have entered the digital advertising market in recent years. EFUN International and Re:Ad Media became the licensed advertising agency Google, Facebook, and Yahoo one after another to provide professional services including marketing consulting, art and multimedia production, advertising technology platform, and big data analysis, in order to provide advertisers with accurate ad and marketing strategy service to create opportunities for product success.

6. Open offline payment points to develop two core types of business: collection and payment transfer and e-payment at full stretch

Apart from continuously expanding the scale of the payment and collection transfer business in 2018, the fintech business unit launched the “ezAIO” smart payment

platform that integrates e-payment, m-payment, e-ticket, and acquirer payment services and links to merchant account enquires and TMS terminal management system to provide physical stores with a heterogeneous payment management platform. The fintech BU also introduced the “ezPay” e-wallet service to open up all offline channels and develop multiple payment gateway applications to expand the scale of economy and boost membership growth.

(II) Expected sales volume and its basis

Our revenue sources include various types of game software (mobile/online/web/single user), software magazines, royalty, processing, advertising, cloud technology service, fintech payment, event planning and implementation. In 2019, we will launch more types of new games and fintech payment applications and services. As we did not make any financial forecast for 2018, no sales statistics are available.

III. Future development strategy of the Company

- (1) Consolidate capacity for the R&D and mass production of games and license independently developed products worldwide.
- (2) Enhance competitiveness for game operations and consolidate market share in Taiwan, Hong Kong, and Macau.
- (3) Strengthen the utility of digital content platforms and develop innovative service mechanisms.
- (4) Develop multifaceted marketing channels and platforms for web content and expand sales locations in Asia.
- (5) Diversify IP licensing and applications and expand to China and overseas markets.
- (6) Deepen development in internet marketing media and expand the scope of global digital advertising services.
- (7) Promote the fintech business fully to cultivate Taiwan, think globally, and develop ourselves towards multinational e-finance.
- (8) Invest in potential and innovate teams of mobile application development and foster the development of digital content and cultural and creative industries.

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

In response to the rapid growth of the global game market, the wide variety and keen competition from other game products, and the complexity of the macro environment, apart from focusing on the game development core business; and building a complete service chain that integrates channels, IPs, R&D, agency, art, and music for the game industry; we entered the e-finance and fintech markets and the two relevant industries of the game industry, with game operations experience to actively develop various innovative applications and services to extend our scope of service subscribers and markets to diversify our deployment in the internet business.

As to the potential legislations and legal changes at present and in the future, we will constantly keep track of them, update our regulations, and ensure compliance to protect the biggest interest of shareholders. When assessing investments and operational policies, we consider the status of industry and observe the macroeconomic trend to carefully access and select the optimal strategies.

We wish you all shareholders,

Health and prosperity in the future.

Chairman and President WANG, CHUN-PO

Accounting Supervisor HUANG, YA-CHUAN

II. Company Profile

I. Date of foundation: July 15, 1983

II. Company History:

- (I) Mergers and acquisitions of company, direct investment or reorganization of affiliates in the most recent year to the date this report was printed:
 - 1. Merger and acquisition activities: NA
 - 2. Reinvested affiliate: None.
 - 3. Re-organization activities: NA
- (II) Massive transfer or conversion of shares by directors, supervisors or dominant shareholders with over 10% of the stakes in the previous year and by the date of publication of this report: NA
- (III) Management changes; significant changes in operations and business contents; and other important events that may affect the rights and interests of shareholders and their influence on the company in the previous year and by the date of publication of this report: NA
- (IV) Other information:

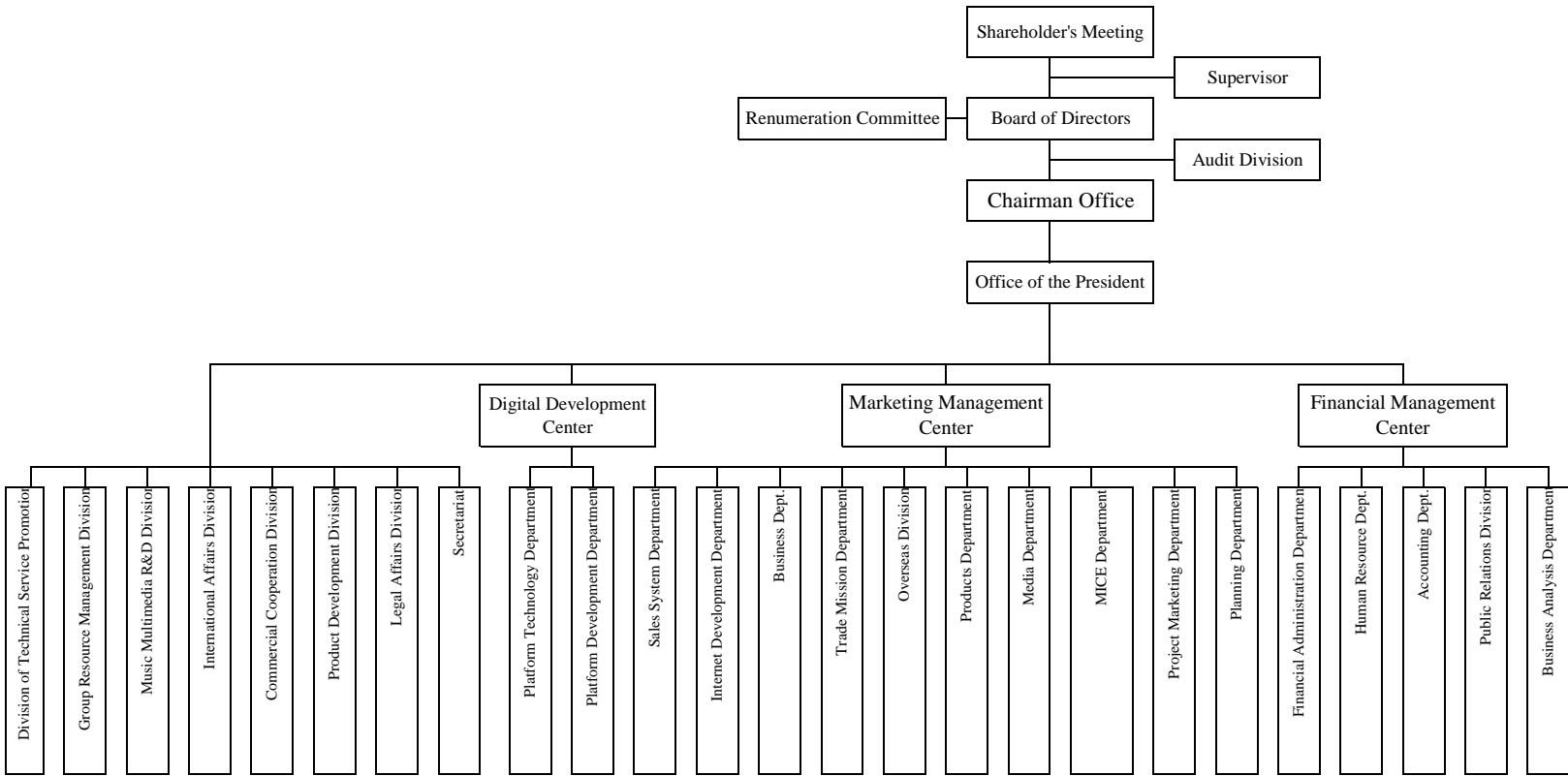
Year	Important events
1983	Established Soft-World International Corporation.
1986	Signed agency contract for the Chinese version of single-player PC game <i>Heavy Crack</i> with SSI of the USA.
1989	Published <i>SoftWorld</i> magazine.
1990	Organized the 1 st Golden Diskette Award Leisure Software Design Competition to discover domestic talented PC game designers.
1991	Published the first independently developed single-player PC game <i>Romance of the Three Kingdoms</i> .
1993	Published the first independently developed single-player PC game <i>The Smiling, Proud Wanderer</i> adapted from the novel by novelist Jin Yong.
1997	Published the first independently developed single-player PC game <i>Pili Phantom Arrow</i> based on the Taiwanese puppetry show.
1999	Published the independently developed single-player PC game <i>Play Through</i> adapted from the same-name novel by novelist Yee Wong.
2000	Established Chinesegamer International Corporation to start independent online game development in Taiwan and launched the first MMORPG <i>Romance of Three Kingdoms Online</i> .
2001	Listed on TPEX (stock code: 5478) at an IPO price of NT\$100/share to become Taiwan's first listed game developer, with a market worth of up to NT\$28.33 billion. Chinesegamer International launched the independently developed online game <i>Heroes of Jin Yong</i> .
2002	Established Gameflieger International Corporation to enter the game agency business and launched <i>Ragnarok Online</i> independently developed game by Gravity of South Korea. The MMORPG created a record of up to 350,000 players online at the same time.
2003	Published the first 5-in-1 GTC "e-Play Card" in the game world. Chinesegamer International launched the independently developed online game <i>Warriors of Fate Online</i> . Chinesegamer International was listed on TPEX (stock code: 3083) at an IPO price of NT\$100/share, with a market worth of up to NT\$43.17 billion.
2005	Gameflieger International launched <i>Nobunaga's Ambition Online</i> independently developed game by Koei of Japan. Established Game First International Corporation and launched <i>World of Warcraft</i> , an internationally famous online game by Blizzard of the USA. Chinesegamer International launched the independently developed online game <i>Wonderland Online</i> .
2006	Gameflieger International launched <i>Ghost Online</i> , the first free-to-play leisure game, to enter the free-to-play online game market. Chinesegamer International launched the independently developed 3D online game <i>Heroes of Yee Wong Online</i> . Established "MyCard" platform and published the MyCard universal GTC. Gameflieger International launched <i>Perfect world Online</i> , an independently developed game by Perfect World Co., Ltd. of China.

Year	Important events
2007	Gameflier International launched <i>The Romance of the Three Kingdoms Web</i> , the first independently developed web game.
2008	Established Zealot Digital International Corporation to focus on game engine R&D.
	Gameflier International launched <i>Dragon Oath</i> , an independently developed game by Sohu, Inc. of China.
	Chinesegamer International launched the independently developed online game <i>Wu-Lin Heroes Online</i> .
2009	Chinesegamer International launched the independently developed online game <i>Chinese Hero Online</i> adapted from famous Hong Kong comics.
2010	Gameflier International launched <i>Monster Hunter</i> of Capcom, Japan.
	Launched the “e-PLAY” platform.
	Game First International signed an exclusive distribution contract for distributing the Traditional Chinese version of <i>StarCraft II: Wings of Liberty</i> in Taiwan, Hong Kong, and Macau with Blizzard Entertainment of the USA.
	Established “Kaohsiung Music Center” as the largest digital synchronous studio in Southeast Asia.
	Chinesegamer International launched the independently developed online game <i>Legends of Emperor Online</i> adapted from famous Hong Kong comics.
2011	Allied with Facebook to designate MyCard as the appointed cashflow partner in Asia Pacific.
	Won the “Best ROE” at the 51 st Golden Laureate Award organized by Taipei Exchange.
	Established Fast Distributed Cloud Computing Co., Ltd. to enter the IT resource management and cloud computing service markets.
2012	Game First International signed an exclusive distribution contract for distributing the Traditional Chinese version of <i>Diablo III</i> in Taiwan, Hong Kong, and Macau with Blizzard Entertainment of the USA.
2013	Game First International signed an exclusive distribution contract for distributing the Traditional Chinese version of <i>StarCraft II: Heart of the Swarm</i> in Taiwan, Hong Kong, and Macau with Blizzard Entertainment of the USA.
	Zealot Digital International launched the independently developed game <i>Pili Shen Zhou Online</i> .
	Established Pay2go Technology Corporation to enter the third-party payment business.
	Acquired a cooperation license for LINE Corporation in Taiwan.
2014	Gameflier International launched <i>Dragon Nest Online</i> by Eyedentity Games of South Korea.
	Gameflier International launched the mobile game <i>Devil Maker</i> by PALMPLE of South Korea.
	Game First International signed an exclusive distribution contract for distributing <i>Diablo III: Reaper of Souls</i> in Taiwan, Hong Kong, and Macau with Blizzard Entertainment of the USA.
	Zealot Digital International launched the independently developed game <i>Authentic Heroes of Gu Long Online</i> .
2015	Zealot Digital International launched the mobile game <i>Pili Heroes</i> co-developed with Dream ² of China in Taiwan, Hong Kong, and Macau.
	Gameflier International launched the mobile game <i>One Hundred Thousand Bad Jokes</i> independently developed game by Linekong Interactive Group Co., Ltd. of China.
	Established Smartparth Digital Tech Corporation, a subsidiary for collection transfer.
2016	Established subsidiary Re:Ad Media Corporation through joint venture with Wisebirds of South Korea.
	Game First International signed an exclusive distribution contract for distributing the Windows PC version of <i>Overwatch</i> in Taiwan, Hong Kong, and Macau with Blizzard Entertainment of the USA.
	Gameflier International launched the online game <i>Shushan Online</i> independently developed game by Loong Entertainment of China.
2017	Zealot Digital International launched the independently developed AR mobile game <i>My Hero Go</i> .
2018	Pay2go e-Wallet app went live to start the e-payment business.
	Stock-for-stock merger between subsidiaries Pay2go Technology Corporation and Smartparth Digital Tech Corporation with Neweb Technologies Co., Ltd. of Chander Electronics Corporation, the first large-scale merger of two leading OTC-listed companies in Taiwan’s mobile payment industry.
	Chinesegamer International launched the independently developed mobile game <i>Warriors of Fate M</i> .
	After merging with Pay2go Technology and Smartparth Digital Tech, Neweb Technologies continued operations in the name of Pay2Go, which was then renamed “ezPay Corporation.”
	Neweb Technologies merged with Smartparth Digital Tech and continued operations in the name of Neweb Technologies.

III. Corporate Governance

I. Organizational structure

(1) Organization structure



(II) The responsibilities of various divisions:

Department	Main business
Audit Division	<ol style="list-style-type: none"> 1. Assistance in the establishment and revision of the internal control system. 2. Establishment of the annual audit program. 3. Effectiveness audit of the nine cycles in the internal control system and various documented systems. 4. Production of audit reports, timely proposition of improvement recommendations, and periodic reporting to BOD.
Office of the President	<ol style="list-style-type: none"> 1. Administer overall strategic targets and supervise and coordinate all units. 2. Publicize and implement corporate policies and related regulations. 3. Draw up, review, and manage external contracts.
Financial Management Center	<ol style="list-style-type: none"> 1. Bookkeeping. 2. Financial planning and fund management. 3. Personnel affairs and wage management, general affairs, and stock service. 4. Analysis of operating efficiency and operating costs. 5. Media public relations.
Marketing Management Center	<p>Planning Department</p> <ol style="list-style-type: none"> 1. Project marketing and strategic planning and internet campaigning. 2. Contracting out and implementation of event planning projects. 3. Planning, discussion, and implementation cross-sector events. <p>Project Marketing Department</p> <ol style="list-style-type: none"> 1. Production of game marketing projects, websites and webpages, ad banners, and commercial films for subsidiaries of the group. 2. Undertaking marketing campaigns including website design, internet marketing and ad serving, CF making and editing, and outdoor ads. 3. Operations planning, webpage production, color frames, CF making and sales for the triple channel interactive entertainment city. 4. Outdoor LED multimedia advertising service at CMP Building in Ximending. <p>MICE Department</p> <ol style="list-style-type: none"> 1. Professional department for planning creative events for the group. 2. Planning, design, and implementation of various exhibitions, press conferences, and large events. 3. Scope of service: Event idea development, spatial planning, corporate image design, gifts design and production, and workforce arrangement. <p>Media Department</p> <ol style="list-style-type: none"> 1. Cross-platform digital media content services. 2. Editing, publication, and release of magazines. 3. Promotion of advertising business. <p>Products Department</p> <ol style="list-style-type: none"> 1. Visual design planning, strategic topic copy planning. 2. Post-production of handbooks, covers, boxes, posters, and publicity materials. 3. Production and inventory management. 4. Product production. <p>Overseas Division</p> <p>Business cultivation in Southeast Asia.</p> <p>Trade Mission Department</p>

Department	Main business
	<p>1. Handling agent contracts.</p> <p>2. Handling export sales.</p> <p>Business Department</p> <p>1. New product distribution, product check and replenishment, customer order handling and delivery,</p> <p>2. Customer data processing and receivables management.</p> <p>3. Domestic customer cultivation and market intelligence collection.</p> <p>Internet Development Department</p> <p>1. MyCard website operations and management.</p> <p>2. Management and promotion of MyCard member and membership.</p> <p>3. Management of MyCard card services.</p> <p>4. Promotion of online payment mechanisms.</p> <p>5. Product after-sale service.</p> <p>Sales System Department</p> <p>1. IT planning and management.</p> <p>2. Construction and maintenance of IT systems.</p> <p>3. Construction and management of websites and network systems.</p> <p>4. Management and maintenance of computer hardware and software.</p> <p>5. Development and maintenance of financial, accounting, and business information systems.</p>
Digital Development Center	<p>Platform Development Department</p> <p>1. R&D of mobile game platforms such as double MyCard apps and Crazy Game.</p> <p>2. Testing, operations, promotions and marketing events planning and implementation of platforms.</p> <p>Platform Technology Department</p> <p>Planning, development, construction, and maintenance of the technical affairs of platforms in relation to web and apps.</p>
Legal Affairs Division	Legal consultation and support for subsidiaries within the group.
Product Development Division	Handling collaborative IP development with suppliers.
Commercial Cooperation Division	Cultivation, planning, and analysis of overseas business.
International Affairs Division	Overseas market cultivation.
Music multimedia R&D Department	Audio service including music production, sound effects, voice, mixing, and tape mastering; and video service including the design, filming, and special effects of all types of videos for subsidiaries within the group and other companies.
Group Resource Management Division	<p>1. Procurement and management of information equipment.</p> <p>2. Procurement and management of general materials and equipment.</p> <p>3. Planning and management of group resources utilization.</p>
Division of Technical Service Promotion	The Division of Technical Service Promotion provides technical service and promotion for the “e-commerce industry” with the know-now and problem-solving ability in information service, and closely connects with existing group resources to diversify the scope of services.

II. Background information of Directors, Supervisors, President, Vice Presidents, Assistant Managers, and the heads of various departments and branches:

(I) Directors and Supervisors:

1. Shareholders and major education of directors and supervisors

April 20, 2019

Title (Note 1)	Nationality or place of registration	Name	Gender	Election (Appointment Date)	Duration	Inauguration date (Note 2)	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Education Background (Note 3)	Current duties in The Company and in other companies	Other Chief, Supervisors or Directors with a Spousal or Other Immediate Relative		
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Shareholding Proportion			Title	Name	Relation
Chairman	Taiwan R.O.C.	WANG, CHUN- PO	Male	2018/6/14	3 years	1994/8/15	21,594,350	16.94%	21,594,350	16.94%	3,083,208	2.42%	0	0	Division of Chemical Engineering, National Kaohsiung University of Applied Sciences Chairman, Soft-World Co., Ltd.	Note 4	None	None	None
Director	Taiwan R.O.C.	WANG, CHIUNG- FEN	Male	2018/6/14	3 years	2018/6/14	0	0	0	0	0	0	0	0	Bachelor of Law, National Chung Hsing University President, General Law Firm	Note 5	None	None	None
Director	Taiwan R.O.C.	CHEN, CHING- JUNG	Male	2018/6/14	3 years	2018/6/14	0	0	0	0	0	0	0	0	Bachelor of Electrical Engineering, Chinese Culture University Chairman, Hengshang Construction Co., Ltd	Note 6	None	None	None
Director	Taiwan R.O.C.	SHIH, MING- HAO	Male	2018/6/14	3 years	2018/6/14	11,110	0.01%	11,110	0.01%	149,430	0.12%	0	0	Master of Business Administration, Pennsylvania State University Chairman of Trade-Van Information Co., Ltd. Director of Central Investment Co., Ltd. Director of Chinese Gamer International Corporation Director, ThinFlex Corporation	Note 7	None	None	None
Director	Taiwan R.O.C.	WU, AI- YUN	Female	2018/6/14	3 years	2018/6/14	0	0	0	0	0	0	0	0	Bachelor of Accounting, Ming Chuan University Finance Director, Focus Technology Co., Ltd.	Note 8	None	None	None
Independent director	Taiwan R.O.C.	LI, MING- HSIEN	Male	2018/6/14	3 years	2018/6/14	0	0	0	0	0	0	0	0	Master of Accounting, National Chengchi University Adjunct Associate Professor, National Cheng Kung University Director of Greater China, PricewaterhouseCoopers Deputy Director, PwC Taiwan Chief of the Board, PwC Taiwan South Division Hosted Accountant, PwC Taiwan Executive Director, National Federation of CPA Associations of ROC	Note 9	None	None	None
Independent director	Taiwan R.O.C.	LIN, HSUAN- CHU	Male	2018/6/14	3 years	2018/6/14	0	0	0	0	0	0	0	0	PhD in Finance, New Jersey State University Master of Business Administration (MBA), New Jersey State University	Note 10	None	None	None

Title (Note 1)	Nationality or place of registration	Name	Gender	Election (Appointment) Date	Duration	Inauguration date (Note 2)	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Education Background (Note 3)	Current duties in The Company and in other companies	Other Chief, Supervisors or Directors with a Spousal or Other Immediate Relative		
							Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Shareholding Proportion			Title	Name	Relation
Supervisor	Taiwan R.O.C.	CHIEN, CHIN- CHENG	Male	2018/6/14	3 years	2018/6/14	0	0	0	0	0	0	0	0	PhD, Department of Accounting, New Jersey State University Professor, Department of Accountancy and Graduate Institute of Finance, National Cheng Kung University Adjunct Professor, Department of Accountancy and Graduate Institute of Finance, National Cheng Kung University	Note 11	None	None	None
Supervisor	Taiwan R.O.C.	CHANG, HUNG- YUAN	Male	2018/6/14	3 years	98/06/18	0	0	0	0	0	0	0	0	Master of Accounting and MBA, St. John's University, New York City, USA Assistant Finance Director and Assistant Director, Interplex Industries Inc., New York, USA President, Suftech Co., Ltd. Director of Accounting Department, Shih Hsin University Director of International Management School, Shih Hsu University Enterprise Management Foundation Director, Soochow University Director of Culture and Education Foundation, Mingdao High School Board Supervisor, Shih Hsin University	Note 12	None	None	None

Note 1: Corporate shareholders should have the name of corporate shareholders and representative illustrated separately (the name of the corporate shareholders should be noted) also, Table 1 should be filled out.

Note 2: Indicate the date of the first-time elected director or supervisor; also, the period of interruption should be noted.

Note 3: Previous work experiences relating to their current roles; if the person works in the auditor's firm or in an affiliated company during the aforementioned time period, the job title and responsibilities must be provided.

Note 4: This Company: President,

Other companies: Chairman (corporate representative of Soft-World); Chinesegamer International, Chairman (corporate representative of Soft-World); Gameflir International, Chairman (corporate representative of Soft-World); Game First International, Chairman (corporate representative of Soft-World); Zealot Digital International; Chairman (corporate representative of Soft-World), Neweb Technologies; Chairman (corporate representative of Neweb Technologies) ezPay; Chairman (corporate representative of Neweb Technologies), Neweb Pay; Director (corporate representative of Soft-World), Dynasty International Information; Director (corporate representative of Soft-World), Soft World (Hong Kong) International Corporation; Director (corporate representative of Soft-World), Zealot Digital Pte. Ltd.; Chairman (corporate representative of Soft-World), Fast Distributed Cloud Computing; Chairman (corporate representative of Game First International), Compete ! Games International Entertainment; Chairman (corporate representative of Gameflir International), Mobileflir International; Chairman (corporate representative of Soft-World), EFUN International; Director (corporate representative of Global Concept Corporation), Playgame SDN. BHD; Chairman (corporate representative of Playgame), Taiwan Taomee Technology Co., Ltd.; Chairman (corporate representative of Soft-World), Tongle Technologies; Director, Re:Ad Media; Chairman (corporate representative of Soft-World), Re:Ad Media; Director, Interactive Entertainment Technology; Chairman (corporate representative of Soft-World), Interactive Entertainment Technology.

Note 5: This Company: None;

Other companies: President, General Law Firm; Chairman, Jin Zhifu Asset Management Company; Chairman, Taiwan Steel Co., Ltd.; Chairman, GMTC Co., Ltd.; Chairman, S-Tech Corporation; Vice Chairman, Chunzu Machinery Co., Ltd.; Board of Directors, KMC International Co., Ltd; Director, Taiwan Styrene Monomer Corporation; Independent Director, Aeon Co., Ltd, Huang Long Development Co., Ltd.; Supervisor, Taiwan Wax Co., Ltd.

- Note 6: The Company: None;
Other companies: Chairman, Hengshang Construction & Development Enterprise Corporation; Chairman, Dynasty International Information.
- Note 7: The Company: None;
Other companies: Director, San Far Property Limited; Partner, Baozhou Private Placement Fund
- Note 8: The Company: None;
Other companies: Company Representative, Xingtian Technology Co., Ltd.; Director, Wayi International Digital Entertainment Co., Ltd.; Supervisor, Bonus Winner Online Entertainment Co., Ltd.; Supervisor, JFI Games Inc.
- Note 9: The Company: None;
Other companies: Adjunct Associate Professor, National Cheng Kung University, Vice Chairman, Zhicheng Associates Accounting Firm.
- Note 10: The Company: None;
Other companies: Independent Director, Chinesegamer International Corporation; Independent Director, Taiwan Cooperative Bank Co., Ltd.; Independent Director, Taiwan Cooperative Financial Holding Co., Ltd.; Professor, Department of Accountancy and Graduate Institute of Finance, National Cheng Kung University.
- Note 11: The Company: None;
Other companies: Supervisor, Chinese Gamer Co., Ltd.; Independent Director and Remuneration Committee Member, GMTC Co., Ltd.; Independent Directors and Remuneration Committee Member, Uni-President; Independent Director and Remuneration Committee Member, Taiwan Styrene Monomer Corporation; Independent Director and Remuneration Committee Member, S-Tech Corporation.
- Note 12: The Company: None;
Other companies: Independent Director, TPK Holding Co., Ltd.; Independent Director, Lu Hai Holding Corporation; Full-time Professor, Department of Communications Management and Department of Business Administration, Shih Hsin University, Taiwan.

2. Corporate shareholders' main shareholders: None.

Note 1: Fill in the name of respective corporate investors when directors and supervisors are their representatives.

3. Major Shareholders of Major Corporate Shareholder: None.

Note 1: Fill the name of respective corporations when major shareholders in Table 1 are corporate investors.

4. Background of Directors and Supervisors

April 20, 2019

Condition Name (Note 1)	Have more than 5 years of experience and the following professional qualifications			Status of independence (note 2)										Number of public companies where the person holds the title as independent director
	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Director WANG, CHUN-PO			✓					✓	✓	✓	✓	✓	✓	0
Director WANG, CHIUNG-FEN		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Director CHEN, CHING-JUNG			✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	0
Director SHIH, MING-HAO			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Director WU, AI-YUN			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	0
Independent director LI, MING-HSIEN	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent director LIN, HSUAN-CHU	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	3
Supervisor CHIEN, CHIN-CHENG	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	4
Supervisor CHANG, HUNG-YUAN	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1: Adjust the number of columns according to actual needs.

Note 2: place a "✓" in the box below if the Director or Supervisor met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the company or its affiliated companies (not applicable if the position is an independent director of the parent company, or subsidiaries to which the company holds more than 50% direct or indirect voting interest).
- (3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.
- (7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies;

nor a spouse to anyone listed herein. Except the members of the Remuneration Committee in exercising their authority within the scope of empowerment pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

- (8) Not a spouse to or kin at the second pillar under the Civil Code to any other director.
- (9) Not under any of the categories stated in Article 30 of the Company Act.
- (10) No Government Apparatus agency, juristic person or its representative is elected under Article 27 of the Company Act.

(II) Information of the President, Vice President, associated director, and supervisor of the various units and branches

April 20, 2019

Title (Note 1)	Nationality	Name	Gender	Election (Appointment) Date	Status of shareholding		Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience (Note 2)	Positions with other companies	Spouse or kin within the second pillar under the Civil Code and who is a manager		
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
President	Taiwan R.O.C.	WANG, CHIN- PO	Male	1983/7/15	21,594,350	16.94%	3,083,208	2.42%	0	0	Division of Chemical Engineering, National Kaohsiung University of Applied Sciences Chairman and President, Soft-World Co., Ltd.	Other Company: Chairman of Chinese Gamer International Corporation (Institutional representative of Soft-World International Corporation) Chairman of Game Flier International Corporation (Institutional representative of Soft-World International Corporation) Chairman of Mobile Flier International Corporation (Institutional representative of Game Flier International Corporation) Chairman of Game First International Corporation (Institutional representative of Soft-World International Corporation) Chairman of Compete!Games interactive entertainment corporation (Institutional representative of Game First International Corporation) Chairman of Zealot Digital International Corporation (Institutional representative of Soft-World International Corporation) Director of Dynasty International Information Co., Ltd. (Institutional representative of Soft-World International Corporation) Chairman of Taiwan Taomee Co., Ltd. (Institutional representative of PLAYGAME) Chairman of Joy Children Technology Co., Ltd. (Institutional representative of Soft-World International Corporation) Chairman of Fast Distributed Cloud Computing (Taiwan) Co., Ltd. (Institutional representative of Soft-World International Corporation) Chairman of Neweb Technologies Co., Ltd. (Institutional representative of Soft-World International Corporation) Chairman of ezPay Co., Ltd. (Institutional representative of Neweb Technologies Co., Ltd.) Chairman of Neweb Technologies Co., Ltd. (Institutional representative of Neweb Technologies Co., Ltd.) Director of Efun International Corporation (Institutional representative of Soft- World International Corporation) Chairman of Re:Ad Media (Taiwan) Corporation (Institutional representative of Soft-World International Corporation) Chairman of Interactive Entertainment Technology (Taiwan) Co., Ltd. (Institutional representative of Interactive Entertainment) Director of Soft-World (Hong Kong) International Corporation (Institutional representative of Soft-World International Corporation) Director of Interactive Entertainment Technology Co.,Ltd Director of PLAYGAME SDN. BHD (Institutional representative of GLOBAL CONCEPT CORPORATION) Director of SOFT-WORLD TECHNOLOGY PTE. LTD (Institutional representative of Soft-World International Corporation) Director of ZEALOT DIGITAL PTE.LTD (Institutional representative of Soft- World International Corporation) Director of Re:Ad Media Corporation	None	None	None

Title (Note 1)	Nationality	Name	Gender	Election (Appointment) Date	Status of shareholding		Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience (Note 2)	Positions with other companies	Spouse or kin within the second pillar under the Civil Code and who is a manager		
					Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Title	Name	Relation
President, Group Financial Management Center	Taiwan R.O.C.	CHUNG, HSING- PO	Male	2004/6/1	256,202	0.20%	0	0	0	0	Department of Journalism & Communication Studies, Shih Hsin University Institute of Business and Management Department of Statistics, National Cheng Kung University Barits Securities Corporation V.P. of the Company	Other Company: Director of Funyours Technology (Institutional representative of Soft-World International Corporation) Director of Neweb Technologies Co., Ltd. (Institutional representative of Soft- World International Corporation) Director and President of ezPay Co., Ltd. (Institutional representative of Neweb Technologies Co., Ltd.) President of Neweb Technologies Co., Ltd. Chairman and President of We Can Financial Technology Co., Ltd. Supervisor of Taiwan Taomee Co., Ltd. Supervis of Joy Children Technology Co., Ltd. (Institutional representative of Soft-World International Corporation)	None	None	None
Chief accountant Assistant VP	Taiwan R.O.C.	HUANG, YA- CHUAN	Female	89/1/1	112,944	0.09%	0	0	0	0	Accounting Department of Tung Hai University KPMG	None	None	None	None
Audit Division Assistant VP	Taiwan R.O.C.	Ming- Fen Huang	Male	89/7/1	5,000	0	93,986	0.07%	0	0	Graduate Institute of Business Administration, National Chengchi University	Supervisor of Dynasty International Information Co., Ltd. Director of Zealot Digital International Corporation	None	None	None

Note 1: Adjust the number of columns according to actual needs.

Note 2: place a "✓" in the box below if the Director or Supervisor met the following conditions during the time of active duty and two years prior to the elected date.

III. Remuneration paid to Directors, Supervisors, the President, and the Vice President in the most recent year:

Disclose the remuneration paid to individual directors and supervisors when any of the following applies to the company, NA.

1. Disclose the name and remuneration of "directors and supervisors" individually when there was a deficit in the past two fiscal years, except when there is net income in the financial statement of the previous year and the amount is sufficient to compensate for such a deficit. When IFRS is applied, disclose the name and remuneration of "directors and supervisors" individually when there was a deficit in the individual financial statement of the past two fiscal years, except when there is net income in the individual financial statement of the previous year and the amount is sufficient to compensate for such a deficit.
2. Disclose the remuneration paid to individual directors when their stakes are insufficient for three consecutive months in the previous year; disclose the remuneration paid to individual supervisors when their stakes are insufficient for three consecutive months in the previous year.
3. Disclose the remuneration paid to individual directors or supervisors with a mortgage ratio exceeding 50% in the month for any directors or supervisors with a mortgage ratio exceeding 50% for three consecutive months in the previous year.
4. Disclose the remuneration paid to individual directors or supervisors when the amount of remuneration for all directors and supervisors of the company in the financial statement exceeds 2% of the net income, and the remuneration of individual directors or supervisors exceeds NT\$15 million.

(I) Directors' remuneration (including Independent Directors)

Aggregate remuneration information is disclosed along with the names indicated for each remuneration range:

Unit: NT\$ thousands

Title	Name	Remuneration to Directors								The sum of A, B, C and D as a percentage of after-tax profit (Note 10)		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G in proportion to Earnings (Note 10)		Remuneration from invested businesses other than the subsidiaries (Note 11)
		Director fees (A) (Note 2)		Pension (B)		Remuneration to directors (C) (Note 3)		For services (Note 4)				Salaries, bonuses, special allowances etc (E) (Note 5)		Pension (F)		Remuneration to employees (G) (Note 6)						
		The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company		All companies mentioned in the financial statements (Note 7)	The Company	
Cash	Stock																	Cash	Stock			
Chairman	WANG, CHUN-PO	0	0	0	0	4,692	4,692	450	809	1.11	1.19	5,464	9,933	192	241	778	0	778	0	2.51	3.57	0
Director	LEU, SHYUE-SEN																					
Director	LI, JUNG-I																					
Director	CHUNG, HSING- PO																					
Director	WANG, HSUAN-TSE																					
Director	CHEN, PO-CHANG																					
Director	LEE, YIN-CHIANG																					
Independent director	WANG, LEE-JUNG																					
Independent director	SHYU, SO-DE																					
Director	WANG, CHIUNG-FEN																					
Director	CHEN, CHING-JUNG																					
Director	SHIH, MING-HAO																					
Director	WU, AI-YUN																					
Independent director	LI, MING-HSIEN																					
Independent director	LIN, HSUAN-CHU																					

*Pay for services (such as non-employee consultant) specified in the financial statements provided by directors in the previous year not specified above:

*Pay for services (such as non-employee consultant) specified in the financial statements provided by directors in the previous year not specified above:

Note 1: Directors LEU, SHYUE-SEN, LI, JUNG-I, CHUNG, HSING-PO, WANG, HSUAN-TSE, CHEN, PO-CHANG, LEE, YIN-CHIANG, WANG, LEE-JUNG, SHYU, SO-DE expired on June 13, 2018.

Note 2: The director terms of WANG, CHIUNG-FEN, CHEN, CHING-JUNG, SHIH, MING-HAO, WU, AI-YUN, LI, MING-HSIEN, LIN, HSUAN-CHU commenced on 14 Jun 2018.

Classification of remuneration

Remunerations to individual directors in respective brackets along the salaries scale	Name of Directors			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies mentioned in the financial statements (Note 9) H	The Company (Note 8)	All companies mentioned in the financial statements (Note 9) I
Less than 2,000,000	WANG, CHIN-PO/ LEU, SHYUE-SEN/ LI, JUNG-I/ CHUNG, HSING- PO/ WANG, HSUAN-TSE/ CHEN, PO-CHANG/ LEE, YIN-CHIANG/ WANG, LEE-JUNG/ SHYU, SO-DE/ WANG, CHIUNG-FEN/ CHEN, CHING-JUNG/ SHIH, MING-HAO/ WU, AI-YUN/ LI, MING-HSIEN/ LIN, HSUAN-CHU	WANG, CHIN-PO/ LEU, SHYUE-SEN/ LI, JUNG-I/ CHUNG, HSING- PO/ WANG, HSUAN-TSE/ CHEN, PO-CHANG/ LEE, YIN-CHIANG/ WANG, LEE-JUNG/ SHYU, SO-DE/ WANG, CHIUNG-FEN/ CHEN, CHING-JUNG/ SHIH, MING-HAO/ WU, AI-YUN/ LI, MING-HSIEN/ LIN, HSUAN-CHU	LEU, SHYUE-SEN/ LI, JUNG-I/ WANG, HSUAN-TSE/ CHEN, PO-CHANG/ LEE, YIN-CHIANG/ WANG, LEE-JUNG/ SHYU, SO-DE/ WANG, CHIUNG-FEN/ CHEN, CHING-JUNG/ SHIH, MING-HAO/ WU, AI-YUN/ LI, MING-HSIEN/ LIN, HSUAN-CHU	LI, JUNG-I/ WANG, HSUAN-TSE/ CHEN, PO-CHANG/ LEE, YIN-CHIANG/ WANG, LEE-JUNG/ SHYU, SO-DE/ WANG, CHIUNG-FEN/ CHEN, CHING-JUNG/ SHIH, MING-HAO/ WU, AI-YUN/ LI, MING-HSIEN/ LIN, HSUAN-CHU
2,000,000(inclusive)~5,000,000 (exclusive)	None	None	WANG, CHUN-PO/ CHUNG, HSING- PO	CHUNG, HSING- PO/ LEU, SHYUE-SEN
5,000,000(inclusive)~10,000,000 (exclusive)	None	None	None	WANG, CHIN-PO
10,000,000(inclusive)~15,000,000 (exclusive)	None	None	None	None
15,000,000(inclusive)~30,000,000 (exclusive)	None	None	None	None
30,000,000(inclusive)~50,000,000 (exclusive)	None	None	None	None
50,000,000(inclusive)~100,000,000 (exclusive)	None	None	None	None
100,000,000 above	None	None	None	None
Total	15 persons	15 persons	15 persons	15 persons

Note 1: Directors' names should be presented separately (for corporate shareholders, state separately the name of the corporate shareholder and its representatives); the amount of benefits and allowances can be presented in aggregate sums. If the board director is also the President or Vice President of the Company, please fill in this table and table (3-1) or (3-2).

Note 2: Refers to Director's remuneration in the latest year (including salaries, work subsidies, severance pay, various bonuses and incentives etc).

Note 3: Please fill in the amount of remuneration to directors resolved in the most recent board meeting.

Note 4: Refers to compensations for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other items). If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these driver, but do not count them as

part of the beneficiaries' remuneration.

- Note 5: Remunerations received by directors who have also worked in the capacity as employees (including the position of President, Vice President, managers, and employees), including, salaries, subsidies, severance pay, bonus, awards, traveling subsidy, special subsidy, different forms of subsidies, accommodation, company car, and other supplies in kind. If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these driver, but do not count them as part of the beneficiaries' remuneration. The salary expense recognized in accordance with IFRS 2, "Share-Based Payment", including ESO, RS, and participation in subscription of new shares for raising capital, etc.
- Note 6: For the directors who are also employees (including President, Vice President, managers, and staff) of the Company in the most recent year with remuneration received (including stock and cash), the remuneration amount to employees resolved in the board meeting in the most recent year should be disclosed. If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year; also, Attachment 1.3 should be filled out.
- Note 7: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's Directors.
- Note 8: The amount of remuneration made by The Company to each Director is disclosed separately in amount ranges.
- Note 9: The total amount of remunerations to each director of the Company under the consolidated financial statement (including the Company) shall be disclosed with the disclosure of the names of the directors falling in relevant brackets.
- Note 10: Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.
- Note 11: a. This field must state any form of remuneration the Director has received from The Company's invested businesses other than subsidiaries.
b. For Directors who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column J of the Remuneration brackets table. Change the name of column J to "All invested businesses".
c. Remuneration refers to any returns, compensation (including remuneration to Employees, Directors and Supervisors), professional fees etc which The Company's Directors have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.
- * The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

(II) Supervisors' remuneration

Unit: NT\$ thousands

Title	Name	Remuneration to Supervisors						The sum of A, B, and C as a percentage of after-tax net profit (%) (Note 8)		Remuneration from invested businesses other than the subsidiaries (Note 9)
		Director fees (A) (Note 2)		Remuneration (B) (Note 3)		Fees for services rendered (C) (Note 4)				
		The Company	All companies mentioned in the financial statements (Note 5)	The Company	All companies mentioned in the financial statements (Note 5)	The Company	All companies mentioned in the financial statements (Note 5)	The Company	All companies mentioned in the financial statements (Note 5)	
Supervisor	WANG, SHU-CHUAN	0	0	1,564	1,564	135	425	0.37	0.43	0
Supervisor	PAI, FENG-CHAO									
Supervisor	CHANG, HUNG-YUAN									
Supervisor	CHIEN, CHIN-CHENG									

Note 1: The supervisor terms of WANG, SHU-CHUAN and PAI, FON-TSAO ended on 13 Jun 2018.

Note 2: The supervisor terms of CHIEN, CHIN-CHENG commenced on 14 Jun 2018.

Classification of remuneration

Remunerations to individual supervisors in respective brackets along the salaries scale	Name of Supervisors	
	The total of the aforementioned 3 items (A+B+C)	
	The Company (Note 6)	All companies shown in the financial report (Note 7) D
Less than 2,000,000	WANG, SHU-CHUAN/PAI, FON-TSAO/CHANG, HUNG-YUAN/CHIEN, CHIN-CHENG	WANG, SHU-CHUAN/PAI, FON-TSAO/CHANG, HUNG-YUAN/CHIEN, CHIN-CHENG
2,000,000(inclusive)~5,000,000 (exclusive)	None	None
5,000,000(inclusive)~10,000,000 (exclusive)	None	None
10,000,000(inclusive)~15,000,000 (exclusive)	None	None
15,000,000(inclusive)~30,000,000 (exclusive)	None	None
30,000,000(inclusive)~50,000,000 (exclusive)	None	None
50,000,000(inclusive)~100,000,000 (exclusive)	None	None
100,000,000 above	None	None

Total	4 persons	4 persons
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- Note 1: Supervisors' names should be presented separately (for corporate shareholders, state separately the name of the corporate shareholder and its representatives); the amount of benefits and allowances can be presented in aggregate sums.
- Note 2: Refers to the remuneration (including salary, job-related allowance, severance pay, various bonuses, incentives, etc.) paid to the supervisors in the latest year.
- Note 3: Please fill in the amount of remuneration to supervisors resolved in the most recent board meeting.
- Note 4: Refers to compensations for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other items). If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these driver, but do not count them as part of the beneficiaries' remuneration.
- Note 5: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's Supervisors.
- Note 6: The amount of remuneration made by The Company to each Supervisor is disclosed separately in amount ranges.
- Note 7: The amount of remuneration made by the consolidated entity as a whole (including The Company) to each Supervisor is disclosed separately in amount ranges.
- Note 8: Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.
- Note 9: a. this field must state any form of remuneration the Supervisor has received from The Company's invested businesses other than subsidiaries.
b. For Supervisors who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column D of the Remuneration brackets table. Change the name of column D to "All invested businesses"
c. Remuneration refers to any returns, compensation (including remuneration to employees, directors, and supervisors), professional fees etc which The Company's Supervisors have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.
- * The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

(III) President's and Vice Presidents' remuneration

Unit: NT\$ thousands

(11) President and Vice Presidents Remuneration															Unit: NT\$ thousands
Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and allowances etc. (C) (Note 3)		Remuneration to the employees (D) (Note 4)				The sum of A, B, C and D as a percentage of after-tax profit (%) (Note 8)		Remuneration from invested businesses other than the subsidiaries (Note 9)	
		The Company	All companies mentioned in the financial statements (Note 5)	The Company	All companies mentioned in the financial statements (Note 5)	The Company	All companies mentioned in the financial statements (Note 5)	The Company		All companies shown in the financial report (note 5)		The Company	All companies mentioned in the financial statements (Note 5)		
								Cash Amount	Stock Amount	Cash Amount	Stock Amount				
President	WANG, CHUN-PO	5,724	7,326	205	205	0	0	792	0	792	0	1.46	1.80	0	
Group President, Financial Management Center	CHUNG, HSING- PO														

Note 1: Disregarding position titles. All such job positions including president, vice presidents (e.g., President, Chief Executive Officer (CEO), Superintendent....) shall be disclosed.

Classification of remuneration

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Name of Presidents and Executive Vice Presidents	
	The Company (Note 6)	All companies shown in the financial report (note 7) E
Less than 2,000,000	None	None
2,000,000(inclusive)~5,000,000 (exclusive)	WANG, CHIN-PO/ CHUNG, HSING- PO	WANG, CHIN-PO/ CHUNG, HSING- PO
5,000,000(inclusive)~10,000,000(exclusive)	None	None
10,000,000(inclusive)~15,000,000 (exclusive)	None	None
15,000,000(inclusive)~30,000,000 (exclusive)	None	None
30,000,000(inclusive)~50,000,000 (exclusive)	None	None
50,000,000(inclusive)~100,000,000 (exclusive)	None	None
100,000,000 above	None	None
Total	2 persons	2 persons

Note 1: The names of the President and Vice Presidents should be presented separately; the amount of benefits and allowances can be presented in aggregate sums. If the board director is also the President or Vice President of the Company, please fill in this table and table (1-1) or (1-2).

Note 2: Refers to salaries, work subsidies, and severance pay made to the President and Vice Presidents in the latest year.

Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, various subsidies, accommodation, corporate vehicle or other items made to the President and Vice Presidents. If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these driver, but do not count them as part of the beneficiaries' remuneration. The salary expense recognized in accordance with IFRS 2,

“Share-Based Payment”, including ESO, RS, and participation in subscription of new shares for raising capital, etc.

- Note 4: Please fill in the remuneration amount to the President and Vice President resolved in the board meeting in the most recent year (including stock and cash). If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year; also, Attachment 1.3 should be filled out. Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.
- Note 5: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's President/Vice Presidents.
- Note 6: The amount of remuneration made by The Company to its President/Vice Presidents is disclosed separately in amount ranges.
- Note 7: The total remunerations to each President and Vice President of all companies in the consolidated financial statements (including the Company), and disclose the names of these Presidents and Vice Presidents in relevant brackets along the scale of remunerations.
- Note 8: Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.
- Note 9: a. this field must state any form of remuneration the President and Vice President have received from The Company's invested businesses other than subsidiaries.
b. For President/Vice Presidents who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column E of the Remuneration brackets table. Change the name of column E to "All invested businesses".
c. Remuneration refers to any returns, compensation (including remuneration to Employees, Directors and Supervisors), professional fees etc which The Company's President/Vice Presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.
- * The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

Name of the managers received remuneration and the distribution of remuneration

December 31, 2018; Unit: NT\$ thousand

	Title (Note 1)	Name (Note 1)	Stock	Cash	Total	As a percentage of net profit after tax (%)
Manager	President	WANG, CHIN-PO	0	1,064	1,064	0.23
	President, Group Financial Management Center	CHUNG, HSING- PO				
	Chief accountant	HUANG, YA-CHUAN				

- Note 1: The name and job title of each individual should be disclosed; however, the distribution of earnings can be disclosed aggregately.
- Note 2: Please fill in the remuneration amount to the managers resolved in the board meeting in the most recent year (including stock and cash). If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year. Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.
- Note 3: According to Notice Tai-Tsai-Cheng-3-0920001301 dated 27 March 2003, the following managerial roles are subject to reporting:
(1) President or equivalent
(2) Vice President or equivalent
(3) Assistant Manager or equivalent
(4) Head of Finance
(5) Head of Accounting
(6) Any other authorized signatories involved in The Company's administrative affairs

Note 4: If the Directors, President, and Vice President have received remuneration (including stock and cash), in addition to filling out Attachment 1.2, this form must be filled out too.

(IV) Individually explain and compare the total remunerations to the directors, supervisors, presidents, and vice presidents of the Company and the companies in the consolidated financial statements in the last 2 years in proportion to the corporate earnings of individual entities or individual financial statements and the analysis and description of the policy, standard, and combination, decision-making procedure of the remunerations, and the association with operation performance and risks of the future.

1. The remuneration paid to directors and supervisors in 2017 and 2018 accounted for 3.53% and 2.88% of the company's net income respectively. The remuneration paid to directors and supervisors of all companies in 2017 and 2018 accounted for 5.37% and 4.00% of the company's net income respectively. The 2018 net income is the main cause accounting for the ratio of difference between the two fiscal years. If there is profit in the year, this company shall appropriate not more than 2% as the remuneration (profit sharing) for directors and supervisors. When there is a deficit in the year, this company shall retain the amount for compensation before appropriating the remuneration pro rata for directors and supervisors.
2. The remuneration paid to presidents and vice presidents in 2017 and 2018 accounted for 1.33% and 1.46% of the company's net income respectively. The remuneration paid to directors and supervisors of all companies in 2017 and 2018 accounted for 1.71% and 1.80% of the company's net income respectively.
3. The remuneration for presidents and vice presidents was appropriated and their salaries were adjusted in accordance with the company's regulations. In addition, the amount of profit sharing for employees was assessed carefully in accordance with the actual status of our operational performance.
4. The standard or structure and the system of remuneration paid to directors, supervisors, presidents, and vice presidents are adjusted based on the risk factors. In addition, the company shall not incentivize directors, supervisors, presidents, and vice presidents to pursue remuneration in excess of the company's appetite for risk, in order to prevent loss and damage after remuneration payment.

IV. Corporate governance:

(I) The operation of the Board of Directors

The Board called 8 (A) meetings in the latest year. The attendance of directors is specified as follows:

Title	Name (Note 1)	Actual number of attendance (B)	Attend through proxy	Actual attendance rate (%) [B/A] (Note 2)	Remarks
Chairman	WANG, CHN-PO	8	0	100	Second term
Director	CHEN, PO-CHANG	2	1	50	Former
Director	CHUNG, HSING-PO	4	0	100	
Director	LI, JUNG-YI	4	0	100	
Director	LU, HSUEH-SEN	4	0	100	
Director	WANG, HSUAN-TSE	4	0	100	
Director	LI, YIN-CHIANG	4	0	100	
Independent director	HSU, SHO-DE	3	1	75	
Independent director	WANG, LEE-JUNG	4	0	100	
Director	WANG, CHIUNG-FEN	4	0	100	Successor (inaugurated on 14 Jun 2018)
Director	CHEN, CHING-JUNG	4	0	100	
Director	SHIH, MING-HAO	4	0	100	
Director	WU, AI-YUN	3	0	75	
Independent director	LI, MING-HSIEN	4	0	100	
Independent director	LIN, HSUAN-CHU	3	1	75	

Board meeting attendance of independent directors in 2018 ◎: Attended in person ☆: Attended through proxies
*: Absent

2018	The 1 st time	Second time	3 rd	4 th	Remarks
SHYU, SO-DE	◎	◎	◎	☆	Former
WANG, LEE-JUNG	◎	◎	◎	◎	Former
	5 th	6 th	7 th	8 th	
LI, MING-HSIEN	◎	◎	◎	◎	Successor
LIN, HSUAN-CHU	◎	◎	☆	◎	Successor

Other notes:

- For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:

(1) On issues stated in Article 14-3 of the Securities and Exchange Act

Date and session of board meetings	Agenda	Opinion of independent director	Address of opinions of independent directors
15 th meeting of the 8 th BOD 26 Mar 2018	Proposal to amend the Regulations for Endorsements and Guarantees.	No objection	Not applicable
	Proposal to approve the CPA audit fee for 2018.	No objection	Not applicable
	Proposal to lend to second-level subsidiary "EFUN International Corporation."	No objection	Not applicable

17 th meeting of the 8 th BOD 9 May 2018	Proposal to lend to subsidiary “Neweb Technologies Co., Ltd”	No objection	Not applicable
2 nd meeting of the 9 th BOD 11 Jul 2018	Proposal to endorse or guarantee subsidiary “Neweb Technologies Co., Ltd”	No objection	Not applicable
3 rd meeting of the 9 th BOD 13 Aug 2018	Proposal to reduce endorsement or guarantee amount for second-level subsidiary “ezPay Corporation” (formerly Pay2go Technology Corporation).	No objection	Not applicable
4 th meeting of the 9 th BOD 12 Nov 2018	Proposal to cancel lending to second-level subsidiary “EFUN International Corporation”	No objection	Not applicable
	Proposal to increase the endorsement or guarantee amount for subsidiary “Neweb Technologies Co., Ltd.”		
	Proposal to increase the endorsement or guarantee amount for subsidiary “Neweb Technologies Co., Ltd.”		
5 th meeting of the 9 th BOD 21 Mar 2019	Proposal to approve the CPA audit fee for 2019.	No objection	Not applicable
	Regulations Governing the Acquisition and Disposal of Assets.		
	Operational Procedures for Loaning Funds to Others		
	Proposal to amend the Regulations for Endorsements and Guarantees.		

All above proposals were passed as all attending directors expressed no objection at the Chairman’s enquiry, and independent directors made no comment.

(2) Except for the aforementioned matters, the resolutions reached by the Board of Directors with the objections or reservations of the independent directors documented or declared in writing: None.

2. The avoidance of the conflict of interest by the Directors on related motions, specify the names of the Directors, the content of the motions, the principle of the avoidance of the conflict of interest, and the participation in casting the ballots: None.

3. Evaluate goals and status of strengthening the board’s job functions in the past few years.

1. Enhance BOD operating efficiency: On 8 Nov 2017, BOD passed the proposal to amend the “Procedural Rules for the Meeting of Board of Directors” to reinforce the implementation of the “Rules,” convene board meetings according to the “Rules,” maintain evidence with full-range recording, produce meeting minutes in detail, and keep constant track on the implementation of resolutions made by at the board meeting to demonstrate the efficiency of board meetings.

2. Enrich the professional knowledge of directors and supervisors: We proactively encourage directors to receive further education. Apart from informing directors and supervisors of the information regarding courses in relation to governance, we hire instructors to give courses for them at the company.

3. Establish the Remuneration Committee: We have established a remuneration committee. Committee members will assess the fairness of the salary and remuneration for directors and supervisors before submitting to BOD for review.

4. Enhance information transparency: We implement the spokesperson system and instantaneously disclose information that may affect shareholders and stakeholders in real time and update the information on the corporate website.

Note 1: For institutional Directors and Supervisors, disclose the names and the representative of institutional shareholders.

Note 2: (1) The date of resignation must be specified for Directors or Supervisors who had resigned prior to the close of the financial year. The percentage of actual attendance (%) should be calculated based on the number of Board of Directors meeting held during active duty and the number of actual attendance.

(2) Where an election may be held for filling the vacancies of director or supervisor before the end of the fiscal year, list out both the new and the discharged directors and supervisors,

and specify if they are the former director or supervisor, or newly elected, re-elected and the date of the election. Their attendance (%) at the Board session shall be calculated on the basis of the actual number of sessions held and the number of sessions they attended.

(II) Implementation of the Audit Committee or supervisors' participating in the operation of the Board of Directors:

1. Operation of the Audit Committee: We have established the Audit Committee with three seats for supervisors. After the full-scale re-election of supervisors on 14 Jun 2018, there were two seats for supervisors in the committee.
2. Board meeting participation of supervisors: BOD held eight board meetings (A) in the previous year, and the attendance of supervisors is as follows:

Title	Name	Actual number of attendance (B)	Attendance rate (%) (B/A) (Note)	Remarks
Supervisor	CHANG, HUNG-YUAN	7	88	Second term
Supervisor	PAI, FON-TSAO	4	100	Former
Supervisor	WANG, SHU-CHUAN	4	100	Former
Supervisor	CHIEN, CHIN-CHENG	4	100	Successor (inaugurated on 14 Jun 2018)

Other notes:

1. The organization of supervisors and their duties:

- (1) Communication (e.g. channels and methods of communication) between supervisors and employees and shareholders.

Description: Supervisors of this company are free to check on the company's sales and financial performance and communicate with employees and shareholders by phone, by email, or in person.

- (2) Supervisors' communication with Internal Audit Officer and CPAs (for example, the matters, methods, and results of communication regarding the Company's finance, business operation, etc.)

Description: Supervisors of this company are free to communicate with the internal audit chief and accounting chief regarding the company's financial and sales performance and attend board meetings as a guest to listen to the business reports presented by directors and the management and participate in discussion and decision-making.

The internal audit chief shall submit an audit report to the independent directors and supervisors in the next month after completing an audit. The audit chief shall attend board meetings as a guest to present an audit report.

Independent directors, supervisors, the internal audit chief, and accountants shall attend at least one regular meeting (or through official letters) each year to understand the audit planning and the key audit items and the financial status and internal audit control of the group, and independent directors and supervisors may contact the internal control chief and accountants any time.

1. Summary of communication between independent directors and supervisors and the internal audit chief:

Date	Main points of communication	Recommendations and results
2018/03/26	Internal control report on the defects audited between October 2017 and January 2018 and their improvements.	No objection.
2018/05/09	Internal control report on the defects audited between February 2018 and March 2018 and their improvements.	No objection.
2018/08/13	Internal control report on the defects audited between April 2018 and June 2018 and their improvements.	No objection.
2018/11/12	Internal control report on the defects audited between July 2018 and September 2018 and their improvements.	No objection.
2018/12/14	1. Effectiveness of the 2018 internal audit program. 2. Issues for audit plans in 2019.	No objection.

2. Summary of communication between independent directors and supervisors and the accountant:

Date	Main points of communication	Recommendations and results
2018/06/14	Attend the shareholders' meeting.	None.
2018/12/14	Scope of audit 2018 risk assessment CPA Independence Report	No objection.

2. Where the supervisors shall attend the meetings of the Board as observers, and may have opinions, specify the date of the meeting, the term of the Board, the content of the motions, the resolutions of the Board, and the response to the opinions of the supervisors.

Notes: Not applicable.

Note:

- * The date of resignation must be specified for Supervisors who had resigned prior to the close of the financial year. The percentage of actual attendance (%) should be calculated based on their attendance records during active duty.
- * If a re-election of Supervisors had taken place prior to the close of the financial year, then Supervisors of both the previous and the current term must be listed; the remarks column must address the re-election date and whether the Supervisor was elected in the previous term, the new term, or both. Their attendance (%) to Board session shall be calculated on the basis of the actual number of sessions they attended during the term of office.

(III) How The Company's actual governance differs from The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and why

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies																																																												
	Yes	No	Summary																																																													
1. Will the Company based on the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” set up and disclose the Company’s corporate governance best-practice principles?		V	Although we have not established our own “Corporate Governance Best Practice Principles,” we have established an “internal control system” and related management regulations in accordance with the governance spirit and related regulations and have formed a “remuneration committee” with independent directors. In addition, BOD, supervisors, and management assume their own responsibilities to ensure effective control of governance.	We will implement governance by law and in accordance with the actual operations.																																																												
2. Shareholding structure and shareholders’ equity (1) Will the Company have the internal procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly? (2) Will the Company possess the list of the Company’s major shareholders and the list of the ultimate controllers of the major shareholders? (3) Will the Company establish and implement the risk control and firewall mechanisms with the related parties? (4) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V V V V		(1) Apart from establishing the “Procedural Rules for the Meeting of Shareholders” and hiring a stock transfer agent to handle shareholder service, we have assigned spokespersons, public relations staff, and stock service staff to handle related affairs. In case of legal affairs, we will refer them to the Legal Affairs Division. (2) We have hired a professional stock transfer agent to take care of the changes in the list of shareholders and maintain close contact with major shareholders. (3) Through the internal control system and the subsidiary supervision regulations, we review operations periodically. In addition, the audit unit supervises the effectiveness of implementation regularly. (4) We have established the “Code of Ethical Conduct.” Insiders shall abide by laws and regulations in relation to insider trading and shall not engage in securities trade with undisclosed information.	No significant difference																																																												
3. The constitution and obligations of the board of directors (1) Will the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	V		(1) Our “Regulations for Directorial and Supervisorial Elections” specify the the directorial election and BOD structure shall be considered in accordance with the company’s style of operations and the diversity of development needs, including, without limitation, gender, age, nationality, culture, professional background, professional skills, and field experience. BOD appoints employees by talent. <table><tr><th rowspan="2">Type</th><th rowspan="2">Name</th><th rowspan="2">Gender</th><th colspan="8">Professional competency</th></tr><tr><th>Operating judgment</th><th>Accounting and Financial Analysis</th><th>Management</th><th>Crisis management</th><th>Knowledge of Industry</th><th>Understanding of International Markets</th><th>Leadership</th><th>Decision Making</th></tr><tr><td rowspan="4">Director</td><td>WANG, CHIN-PO</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>WANG, CHUNG-HN</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>CHEN, CHING-JUNG</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>SHIH, SHIH</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr></table>	Type	Name	Gender	Professional competency								Operating judgment	Accounting and Financial Analysis	Management	Crisis management	Knowledge of Industry	Understanding of International Markets	Leadership	Decision Making	Director	WANG, CHIN-PO	Male	V	V	V	V	V	V	V	V	WANG, CHUNG-HN	Male	V		V	V	V	V	V	V	CHEN, CHING-JUNG	Male	V	V	V	V	V	V	V	V	SHIH, SHIH	Male	V	V	V	V	V	V	V	V	No significant difference
Type	Name	Gender	Professional competency																																																													
			Operating judgment	Accounting and Financial Analysis	Management	Crisis management	Knowledge of Industry	Understanding of International Markets	Leadership	Decision Making																																																						
Director	WANG, CHIN-PO	Male	V	V	V	V	V	V	V	V																																																						
	WANG, CHUNG-HN	Male	V		V	V	V	V	V	V																																																						
	CHEN, CHING-JUNG	Male	V	V	V	V	V	V	V	V																																																						
	SHIH, SHIH	Male	V	V	V	V	V	V	V	V																																																						

Items for evaluation	Implementation Status										Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies			
	Yes	No	Summary											
(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily? (3) Will the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year? (4) Will the Company have the independence of the public accountant evaluated regularly?	V	V	V		MINGHAO									
					WU, AI-YUN	Female	V	V	V	V	V	V	V	V
				Independent director	LI, MING-HSIEN	Male	V	V	V	V	V	V	V	V
					LIN, HSUAN-CHU	Male	V	V	V	V	V	V	V	V
				Supervisor	CHANG, HUNG-YUAN	Male	V	V	V	V	V	V	V	V
					CHIEN, CHIN-CHENG	Male	V	V	V	V	V	V	V	V
(2) Currently, we have established a remuneration committee as required by law.														
(3) Members of the remuneration committee assess the performance of directors, supervisors, and officers periodically based on related laws and regulations.														
(4) We hire CPAs from the Taiwan branch of one of the Big Four. BOD assesses the Independence of CPAs every year and requests them to submit a “Statement of Independence.” Currently, all CPAs in service are independent. Please see the CPA Independence Assessment Sheet in Note 1.														
4. Have the listed companies had the corporate governance unit (full time or part time) setup or personnel designated to handle the corporate governance related matters (including but not limited to providing necessary data to directors and supervisors for business operation, lawfully handling the Board meeting and shareholders’ meeting related matters, processing the company registration and change registration, and preparing the minutes of Board meeting and shareholders’ meeting)?	V			The chief of the Financial Management Center has at least three years of experience in financial management, stock service, and procedures, and is responsible for affairs in relation to governance. 1. Assist directors and supervisors in carrying out their duties, provide them with the required data, and arrange further education for them. 2. Assist with the procedure of board meetings and meetings of shareholders and the legal compliance of resolutions. (1) Report the effectiveness of governance to the BOD, independent directors, and supervisors; confirm the legal compliance and compliance with the governance best practice principles of the convening of meetings of shareholders and board meetings. (2) Assist directors in legal compliance while carrying out their duty and making board resolutions, and remind directors of illegitimate resolutions. (3) Review the material information for disclosures on important resolutions after a board meeting and ensure the legitimacy and accuracy of material information to maintain information symmetry of investors. 3. Maintain investor relations: Arrange exchange and communication activities for directors and major shareholders, institutional investors, and general shareholders as necessary for investors to acquire sufficient information to assess the fair value of the enterprise in the										No significant difference

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
			capital market and maintain the rights and interests of shareholders. 4. Draw up the board meeting agenda and notify directors seven days in advance. Convene the board meeting and supply meeting data. Remind directors of proposals requiring avoidance of the conflict of interest. Complete the meeting minutes within 20 days after the board meeting. 5. Complete the advance registration of the date of the meeting of shareholders; and produce the meeting notice, handbook of the meeting of shareholders, and meeting minutes within the regulatory time limits; and complete the change registration after an amendment to the Articles of Incorporation and director re-election.	
5. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	V		We have established a spokesperson system to address related matters. We have also set up a stakeholder section on the corporate website and assigned related departments and different entities (including stakeholders) to establish communication channels	No significant difference
6. Has the Company commissioned a professional stock service agent to handle shareholders affairs?	V		The Company has appointed Yuanta Securities Co., Ltd., an independence of professional stock service agent, to handle shareholders affairs.	No significant difference
7. Disclosure of information (1) Does the Company have a website setup and the financial business and corporate governance information disclosed? (2) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V V		(1) We have established a corporate website to fully disclose information in relation of finance, sales, and governance. Website: http://www.soft-world.com (2) We have appointed responsible staff to gather and disclose information by law, hoping to instantaneously disclose information that may affect the decision-making of shareholders and stakeholders. We have also assigned suitable personnel to be the spokesperson and deputy spokesperson by law.	No significant difference
8. Is there any other material information (including, without limitation, the following) that will help stakeholders understand governance practices at the company? 1. Employees' rights 2. Care for the employees 3. Investor Relations 4. Supplier Relations	V		1. We have established an employee welfare system to maintain the rights and interests of employees. 2. We abide by the law and maintain employee safety: e.g. workplace safety and employee bodily safety. 3. We have established the Public Relations Division to maintain shareholders relations, protect the rights and interests of investors, and fulfill our responsibilities for shareholders. 4. We always maintain sound supplier relations.	No significant difference

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
5. Stakeholders' rights 6. Continuing education of directors and supervisors 7. Implementation of risk management policies and risk measurement standards 8. Implementation of customer policies 9. The liability insurance obtained for directors and supervisors by the Company			5. We have set up a stakeholder section on the corporate website for stakeholders to communicate with and make recommendations for the company, in order to maintain their legal rights and interests. 6. Further education of directors and supervisors (see Note 2 for details). 7. Prior to implementing important proposals, such as important operational policies, investment projects, endorsements/guarantees, and lending, the responsible departments will assess and analyze such proposals and submit to BOD for approval. The Audit Division also draws up the annual audit program to exercise the supervision mechanisms and control and manage all kinds of risk. 8. We maintain sound customer relations to create profit for the company. 9. To enforce governance, protect the rights and interests of all shareholders, and to reduce operational risk, we have purchased liability insurance for directors, supervisors, and officers as of 30 October 2017 and report to BOD every year.	
9. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures. (The companies that are not subject to an evaluation do not need to fill out this form.) We implement governance self-assessment in accordance with the regulations of competent authorities and improve our governance progressively in order to improve market presence. Improvements in 2018 are as follows: To maintain shareholder equality and meet the global trend for foreign investments to enjoy information symmetry, apart from the voluntary disclosure of the amount and nature of CPA audit fee, we have set up an English website and updated at the same time English information including meeting notices, meeting handbooks, and material information disclosed on the Market Observation Post System (MOPS). We have also increased the frequency of investor conferences to twice a year. In consideration of [employee] diversity and with respect to operational style and development needs, we retain one seat for female representative at BOD.				

Note: Whether the company selects "Yes" or "No" in the operation condition, it should explain the situation in the summary space.

Note 1: CPA Independence Assessment Sheet

(1)	As hired by this company work at this company two years before engagement or within one year after retirement?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
(2)	Do CPAs hired by this company recommend the stocks or other securities issued by this company?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
(3)	Are CPAs hired by this company financed or guaranteed by this company?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
(4)	Do CPAs hired by this company co-invest or share profit with this company?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
(5)	Are CPAs hired by this company a director, a supervisor, or an officer of this company or will this influence their duty significantly or conflict with the interest of this company?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
(6)	Are CPAs hired by this company involved with the management with decision-making power of this company?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
(7)	Are CPAs hired by this company a spouse, a lineal relative by blood or by marriage, or a collateral relative by blood within the second degree of a member of the management of this company?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
(8)	Do CPAs hired by this company solicit business with direct or indirect suggestion of relationship of a specific kind or with interest?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

(9)	Do CPAs hired by this company take commission from external companies or individuals in relation to the business of this company?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
(10)	The Statement of Independence obtained from CPAs every year.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Note 2: Continued education of directors and supervisors

Title	Name	Training date		Organizer	Course name	Training hours	Total continuing education hours of the year	Whether the training had complied with policies
		Start	End					
Director	WANG, CHIN-PO	2018/11/12	2018/11/12	Securities and Futures Development Foundation	Strategy and key performance indicators	3.0	6.0	Yes
		2018/08/13	2018/08/13		The latest governance trends and their influence on directors and supervisors based on the latest trend of amendment to the Company Act.	3.0		
Director	WANG, CHIUNG-FEN	2018/11/12	2018/11/12	Securities and Futures Development Foundation	Strategy and key performance indicators	3.0	6.0	Yes
		2018/08/13	2018/08/13		The latest governance trends and their influence on directors and supervisors based on the latest trend of amendment to the Company Act.	3.0		
Director	CHEN, CHING-JUNG	2018/09/04	2018/09/04	Taiwan Institute of Directors	Challenges in governance of value and competitiveness re-engineering and transformation of enterprises.	3.0	12.0	Yes
		2018/11/12	2018/11/12	Securities and Futures Development Foundation	Strategy and key performance indicators	3.0		
		2018/08/13	2018/08/13		The latest governance trends and their influence on directors and supervisors based on the latest trend of amendment to the Company Act.	3.0		
		2018/08/02	2018/08/02	GreTai Securities Market	Insider Seminar for GTSM and Emerging Stock Market-Listed Companies	3.0		
Director	SHIH, MING-HAO	2018/11/12	2018/11/12	Securities and Futures Development Foundation	Regulations governing insider shares transfer and insider trading	3.0	18.0	Yes
		2018/08/15	2018/08/15	Taiwan Listed Companies Association	Successful experience of transformation: The case of the New Southbound Policy	3.0		
		2018/07/15	2018/07/16		Innovative Formula for Digital Economic Value and Key Leap Strategies and Practices for Taiwanese Enterprises	3.0		
		2018/06/15	2018/06/15		New Southbound Policy II: Towards South Asia	3.0		
		2018/05/15	2018/05/15		Build to Last: Sustainable development of enterprises	3.0		
		2018/04/16	2018/04/16		Roles and Functions of Governance in Capitalism	3.0		
Director	WU, AI-YUN	2018/11/12	2018/11/12	Securities and Futures Development Foundation	Strategy and key performance indicators	3.0	6.0	Yes
		2018/08/13	2018/08/13		The latest governance trends and their influence on directors and supervisors based on the latest trend of amendment to the Company Act.	3.0		
Independent director	LIN, HSUAN-CHU	2018/11/12	2018/11/12	Securities and Futures Development Foundation	Strategy and key performance indicators	3.0	9.0	Yes
		2018/09/06	2018/09/06	Ministry of Finance	Anti-money laundering (AML)	3.0		
		2018/09/04	2018/09/04	Taiwan Institute of Directors	Challenges in governance of value and competitiveness re-engineering and transformation of enterprises.	3.0		
Independent director	LI, MING-HSIEN	2018/11/12	2018/11/12	Securities and Futures Development Foundation	Strategy and key performance indicators	3.0	12.0	Yes
		2018/08/13	2018/08/13		The latest governance trends and their influence on directors and supervisors based on the latest trend of amendment to the Company Act.	3.0		
		2018/09/04	2018/09/04	Taiwan Institute of Directors	Challenges in governance of value and competitiveness re-engineering and transformation of enterprises.	3.0		
		2018/08/02	2018/08/02	GreTai Securities Market	Insider Seminar for GTSM and Emerging Stock Market-Listed Companies	3.0		
Supervisor	CHANG,	2018/11/12	2018/11/12	Securities and Futures Development	Strategy and key performance indicators	3.0	6.0	Yes

	HUNG-YUAN	2018/08/13	2018/08/13	Foundation	The latest governance trends and their influence on directors and supervisors based on the latest trend of amendment to the Company Act.	3.0		
Supervisor	CHIEN, CHIN-CHENG	2018/11/12	2018/11/12	Securities and Futures Development Foundation	Strategy and key performance indicators	3.0	6.0	Yes
		2018/08/13	2018/08/13		The latest governance trends and their influence on directors and supervisors based on the latest trend of amendment to the Company Act.	3.0		

(IV) If the Company has established the Remuneration Committee, disclose the composition, function and state of operation

1. Information on the members of the Remuneration Committee

By identity (Note 1)	Condition Name	Have more than 5 years of experience and the following professional qualifications			Compliance of independence (Note 2)								Number of public companies where the members of the Remuneration Committee are also the members of the remuneration committees of these companies	Remarks (Note 3)
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required Work experience in commerce, law, finance, accounting or others required by the company	1	2	3	4	5	6	7	8		
Independent director	Convener LI, MING-HSIEN	V	V	V	V	V	V	V	V	V	V	V	0	No
Independent director	Committee LIN, HSUAN-CHU	V			V		V	V	V	V	V	V	3	No
Others	Committee HSU, SHOU-DE	V			V	V	V	V	V	V	V	V	0	No

Note 1: Identity is known as director, independent director or others.

Note 2: place a "V" in the box below if the member met the following conditions during the time of active duty and two years prior to the elected date.

Note 3. If the members are Directors, specify if Article 6-5 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" is duly complied.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. Except the capacity as independent director of the Company, the parent, or subsidiaries where the Company held more than 50% of the direct or indirect voting shares.
- (3) Does not hold more than 1% of the company's outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in

- (1) through (3).
- (5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.
- (7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein.
- (8) Not under any of the categories stated in Article 30 of the Company Act.

2. Information on the operation of the Remuneration Committee

- (1) The Remuneration Committee of the Company is consisted of 3 persons.
- (2) The tenure of current members of the committee: August 12, 2018 to June 13, 2021. The committee has held 3 sessions lately (A). The qualification of the members and attendance to meetings are shown below:

Qualification of the members and attendance to meetings are shown below.

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	WANG, LEE-JUNG	1	0	100	Former (relief on 14 Jun 2018)
Committee	HSU, SHOU-DE	3	0	100	Second term
Committee	LIN, HSUAN-CHU	3	0	100	Second term
Convener	LI, MING-HSIEN	2	0	100	Successor (inaugurated on 13 Aug 2018)

Other notes:

1.

The Board may not accept the recommendations of the Remuneration Committee, or revise the recommendations, specify the date of the Board meeting, the term, the content of the motion, the resolution of the Board, and the response of the Board towards the opinions of the Remuneration Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Remuneration Committee, specify the difference and the reasons): None.

2.

Where members of the Remuneration Committee may have adverse opinions or qualified opinions in their resolutions on record or in written declaration, specify the date and session of the committee, the content of the motion, the opinions of all other members, and the responses to the adverse opinions: None.

3.

Important Remuneration Committee resolutions:

Date	RE:	Resolution
6 th meeting of the 3 rd Remuneration Committee 26 Mar 2018	1. Review of the proposal on the 2017 earnings distribution for directors, supervisors, and employees.	All members attended the meeting passed the proposal as is.
1 st meeting of the 4 th Remuneration Committee 12 Nov 2018	1. Assess the policy, system, standard, and structure of the performance evaluation and remuneration of directors and supervisors. 2. Assess the policy, system, standard, and structure of the performance evaluation and remuneration of officers. 3. Review the 2019 work plan of the Remuneration Committee.	
2 nd meeting of the 4 th Remuneration Committee	1. Review of the proposal on the 2018 earnings distribution for directors, supervisors, and employees.	

Note:

- (1) If specific member of the Remuneration Committee resigned before the end of the fiscal year, specify the date of departure in the field of Remarks, the attendance rate to committee meetings (%) basing on the actual attendance to committee meetings during his or her term of office in proportion to the total number of committee meetings held in the same period.
- (2) Before the end of the fiscal year, new members were elected to the Remuneration Committee to fill the vacancies left behind by the members with tenure expired. Specify both the details of the new and former members of the committee in the field of “Remarks” as original term, new term, or renewed term, and the date of the election. The actual attendance rate (%) shall be calculated on the basis of the total number of meetings and the actual number of meetings attended by the member during his/her term of employment.

(V) Performance of corporate social responsibility: The systems of the Company in environmental protection, community participation, social contribution, social service, social charity, consumer rights, human rights, safety and health, and other aspects of corporate social responsibility and the state of pursuit:

In addition to game development, we spare no effort to implement corporate social responsibilities, such as consumer rights and interest and social welfare, in order to contribute to society in a timely fashion.

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reasons
	Yes	No	Summary	
1. Implementation of sound corporate governance (1) Does the Company have the CSR policies or systems established and the implementation effect reviewed? (2) Does the Company have the CSR education and training arranged on a regular basis? (3) Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors? (4) Does the Company have a reasonable salary and remuneration policy set-up, have the employee performance evaluation system been combined with the corporate social responsibility policies and have a clear and effective reward and punishment system been established?	V		(1) We have established our “Corporate Social Responsibility Best Practice Principles” and have begun to implement related CSRs. (2) We organize training and education activities and publicize CSR-related regulations regularly. (3) The Financial Management Center implements workplace safety and employee bodily safety protection. The president takes charge of environmental protection, social welfare, consumer rights and interest, and other CSR activities. (4) Apart from establishing a salary and remuneration policy, we publicize ethics and integrity at every opportunity and combine related performance to employee performance.	No significant difference
2. Fostering a Sustainable Environment (1) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental? (2) Does the Company have an appropriate environmental management system established in accordance with its industrial character? (3) Does the Company pay attention to the impact of climate change on the	V		(1) We ensure the utilization efficiency of various resources to reduce the impact of environmental loads. (2) When selecting major production materials, we use only the non-hazardous substances listed by the RoHS to reduce environmental impacts. We are a manufacturer, and ISO 140001 thus does not apply to this company. (3) Rules have been set to specify the temperature-based timing of air-conditioning to	No significant difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reasons
	Yes	No	Summary	
operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and greenhouse emissions reduction strategy?			conserve energy and reduce carbon and GHG emissions.	
3. Preserving Public Welfare (1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights? (2) Does the Company have the complaints mechanism and channels established for employees and have it handled properly? (3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly? (4) The Company has developed the mechanism for the routine communication with the employees, and informed the employees of the changes in operation that may cause significant influence on the employees through reasonable means. (5) Does the Company have an effective career capacity development training program established for the employees? (6) Does the Company have the relevant consumer protection policies and complaint procedures established in the sense of R&D, procurement, production, operations and service processes? (7) Does the Company have products and services marketed and labeled in accordance with the relevant regulations and international norms? (8) Does the Company have the suppliers checked in advance for any records of impacting the environment and society? (9) Does the contract signed by the Company with the major suppliers entitle the Company to have the contract cancelled or terminated at any time when the suppliers violate the CSR policies that have significant impact on the environment and society?	V		(1) We establish management policies and procedures in accordance with relevant laws and the International Bill of Human Rights. (2) To maintain the rights and interests of employees and encourage them to give feedback, we have established comprehensive communication channels, e.g. the employee opinion box, and assign responsible staff to address employee opinions, hoping to achieve fluent two-way interaction and avoid the damage of the rights and interests of employees. (3) We provide employees with a safe and healthy workplace and arrange workplace health and safety training regularly in compliance with OHS laws and regulations. We also arrange health examinations for employees every year and enhance workplace safety and health. (4) We make internal notices from time to time to inform employees of related information. (5) We encourage employees of all departments to apply for external professional training to enrich their career skills. We also encourage employees to assess their interest, skills, value, and goals to make future career planning. (6) We have established a customer service unit, policies to protect consumer rights and interest, and grievance procedures. (7) We have labeled our products in conformity with related laws and regulations and international standards. (8) We participate in social welfare and invite suppliers and distributors to engage in CSR. (9) We do not include our CSR policy in contracts signed with suppliers. However, after detecting their involvement with a violation of our CSR policy that may cause significant impacts to the environment and society, we will consider suspend or terminate business with them.	No significant difference
4. Enhancing Information Disclosure (1) Does the Company have the relevant and reliable CSR information disclosed on the Company’s website and MOPS?		V	(1) We have started planning a CSR section on our corporate website for the reference of related personnel.	No significant difference
5. For companies who had established corporate responsibility code of conducts in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe the current practice and any deviations from the code of conduct: No significant difference.				

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reasons
	Yes	No	Summary	
6. Other important information that help understand the CSR operation:				
(1) As a domestic game developer, we encourage more talent to join technology and art creation in recognition of Kwoh-ting Li’s contribution to Taiwan’s economic miracle. Aiming to capacitate the industry, we began to sponsor all cash prizes for the digital game category of the KT Awards for technology and art creation competitions in 2014, in order to cultivate technology and art talent, and promote game industry innovation and creative talent.				
(2) To boost the industrial capacity of Kaohsiung and develop professional technology talent, we established the “Soft-World International Art Design Academy” in 2018 through academia-industry collaboration with 15 colleges and universities, including National Pingtung University, National Yunlin University of Science and Technology, National Kaohsiung Normal University, National Kaohsiung University of Science and Technology, National Taitung University, Wenzao Ursuline University of Languages, Cheng Shiu University, Tungfang Design University, Southern Taiwan University of Science and Technology, Kun Shan University, Chang Jung Christian University, Shih Chien University, and Shu-Te University. In the first year, we recruited 36 students to the one-year internship program to develop international class “3D game art” talent. Through solid training courses, this program emphasizes required field competencies. Students passing the completion qualification can directly work at Soft-World International to ensure seamless connection of education-to-employment, cultivate practical talent for the industry, enhance the overall competitiveness of the game industry, and turn southern Taiwan into a new base for international game art design.				
(3) To fulfill our environmental CSR, we ban hazardous substances in RoHS in the major raw materials for production and disseminate this message to all departments to ensure our products can comply with the regulatory and customer requirements.				
(4) In times of social emergency, we initiate donations and encourage employees to participate in social assistance.				
7. Describe the criteria undertaken by any institution to certify the company's corporate responsibility reports: None.				

(VI) The Company's integrity and measures taken to ensure service integrity:

Items for evaluation	Actual governance (Note 1)			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
1. The policy and plan of business integrity	V		(1) To implement ethical corporate management. Therefore, we established in 2017 the “Soft-World International Ethical Corporate Management Best Practice Principles” to prevent unethical conduct, prohibit any and all forms of bribery, corruption, extortion and embezzlement and prevent individual behaviors from damaging the interest and goodwill of the company, and ensure compliance with related laws and regulations and the code of ethical conduct for business.	No significant difference
(1) Does the Company have the corporate management policy and method declared explicitly in the Articles of Incorporation and external documents; also, the commitment of the board of directors and the management to actively implement the operating policies?				
(2) Does the Company have the prevention program for any fraud stipulated; also, have the respective operating procedures, behavior guidelines, disciplinary actions and complaints system declared explicitly; also have it implemented substantively?				
(3) Does the company have preventive measures adopted in response to the conducts stated in Article 7 Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or other business activities subject to higher risks of fraud?				
			(2) To prevent unethical behavior, we specify in the “Work Rules” that “pursuing undue advantage through speculation and deception” will be punished by law.	
			(3) To prevent the risk of unethical behavior in business activities, we prohibit the offering and acceptance of bribes and illegal policy contribution. In the “Work Rules,” we specify that employees will be dismissed when they “charge on credit in the name of the company for reasons unrelated to work,” “embezzle transaction payments,” or “procure in the name of the company or privately.”	

Items for evaluation	Actual governance (Note 1)			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
2. The Materialization of Business Integrity (1) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed? (2) Does the Company have a specific (part-time) unit setup under the board of directors to advocate the code of integrity and to report on its implementation to the Board on a regular basis? (3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies? (4) Has the Company established effective accounting systems and internal control systems to substantiate corporate management; also, have audits performed by the internal audit unit on a regular basis or by the commission CPAs? (5) Has the Company organized corporate management internal and external education and training programs on a regular basis?	V		(1) We do not include ethical conduct terms in business contracts. However, we do engage in business activities in conformity with the Company Act and other laws and regulations or laws and regulations in relation to business activities. (2) The President's Office appoints related units to implement ethnical corporate management and reports to BOD periodically. (3) We abide strictly to the rule of avoidance of conflicts of interest in every proposal and request related directors sidestep from the discussion and voting. (4) We have established an internal audit program for the audit unit to implement audits within the group. In case of special cases, we will arrange CPAs to audit such cases. (5) We establish the employee training plan every year and arrange courses involving governance and ethnical corporate management. In 2018, we arranged up to 87 hours of courses involving ethnical corporate management for 173 employees.	No significant difference
3. The operations of the Company's Report System (1) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported? (2) Does the Company have the standard investigating procedures and related confidentiality mechanism established for the incidents being reported? (3) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?	V		Punishment is specified in the Work Rules. (1) Employees can report unethical behaviors to the "suggestion box" or the "whistleblowing email" for the responsible personnel of the Financial Management Center to take over a case. (2) Documents and data of this company are considered confidential. All personnel processing such documents and data shall keep absolute confidentiality regarding the documents and data and the process of its processing. (3) We ensure the anonymity of whistleblowers and that they are not treated improperly.	No significant difference
Enhancing Information Disclosure (1) Has the company disclose the contents of the integrity management rules and its implementation effectiveness on its website and the Market Observation Post System?	V		(1) We have disclosed our the "Soft-World International Ethical Corporate Management Best Practice Principles" and related information on the corporate website and MOPS.	No significant difference
5. Where the Company may have establish its own business integrity best-practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", and shall elaborate the practice of business integrity and the variations from the aforementioned regulation: No significant difference.				
6. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity): None.				

- (VII) If the company has formulated corporate governance principles and related articles, it shall disclose the way of inquiry:
1. We have established the following regulations with respect to the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”:
Procedural Rules for the Meeting of Shareholders, Procedural Rules for the Meeting of the Board of Directors, Regulations for Directorial and Supervisorial Elections, Procedures for the Acquisition and Disposal of Assets, Regulations for Endorsements and Guarantees, Regulations for Lending, Regulations for Prevention of Insider Trading, Corporate Social Responsibility Best Practice Principles, Rules for Governing the Duty of Independent Directors, Code of Ethical Conduct, and Ethical Corporate Management Best Practice Principles.
 2. Enquiry: We disclose financial and governance information on the corporate website at <http://www.soft-world.com>.
- (VIII) Other material information that is helpful for understanding the status of implementation of corporate governance:
1. During the inauguration of new directors, new supervisors, and new officers, we distribute them the latest version of the “Regulations Governing Insider Shares Handling and Points for Notice of Companies Listed Over the Counter and in the Emerging Market” for the reference.
 2. MOPS under <http://mops.twse.com.tw> and the investors section on the corporate website at <http://www.soft-world.com>.

(IX) Internal control:

1. Declaration of Internal Control Policies

Soft-World International Corporation

Statement of Declaration of Internal Control System

Date: March 21, 2019

The Company's 2018 Internal Control System Declaration is declared as follows in accordance with the self-assessment results:

- I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities The Company's board of directors and managers. These policies were implemented throughout The Company. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
- II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
- IV. The Company adopted the abovementioned criteria to evaluate the effectiveness of its policy design and execution.
- V. The Company based on the assessment results in the preceding paragraph believes that the Company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2018, including the achievement of operating effectiveness and efficiency, reporting matters with reliability, timeliness, transparency, and compliance with the relevant specifications, and the compliance with the relevant law and regulations, and the related internal control system design and implementation, is effective and is able to reasonably ensure achieving the above objectives.
- VI. This declaration forms part of the main contents of the company's annual report and prospectus, and shall be disclosed to the public. Any misrepresentation or concealment of the aforementioned disclosures shall be liable to violation of Articles 20, 32, 171 and 174 of the Securities and Exchanges Act and the legal consequences thereof.
- VII. The "Internal Control System Declaration" was resolved in the Board of Directors meeting on March 21, 2019 without any objection from any of the seven (7) attending Board Directors. The attending Board Directors approved the "Internal Control System Declaration" unanimously.

Soft-World International Corporation

Chairman and President: WANG, CHIN-PO

2. For the CPAs specifically commissioned to review the internal control system, the Independent Auditor's Report should be disclosed: None.
- (X) Punishments, major defects, and improvements of the company or its personnel by law or for violation of the regulations of the internal control system during the latest financial year, up to the publication date of this annual report: none.

(XI) Important Resolution of the Board of Directors as of the Publication Date of the Annual Report:

1. Major shareholders' meeting resolutions:

The 2018 annual general meeting of shareholders (AGM) was held at 9.30am on Thursday 14 June 2018 at the Banquet Hall, Howard Plaza Hotel Kaohsiung (M3, No. 311, Cisian 1st Road, Kaohsiung).

◎Important resolutions

- (1) Adoption of the 2017 final accounting books.
- (2) Acknowledging the Company's 2017 Earnings Distribution.
- (3) Approval by voting of the amendment to the Regulations for Endorsements and Guarantees
- (4) Full re-election of directors (independent directors) and supervisors.

◎Status of implementation:

- (1) Implementation of the important resolutions made at the board meetings were completed.
- (2) The 2017 earnings distribution proposal: cash dividend at NT\$2 per shares. The base date of distribution was set at 4 Sep 2018. Cash dividend was distributed on 21 Sep 2018.
- (3) Full re-election of directors (independent directors) and supervisors: A full re-election of directors (7 seats, including 2 for independent directors) and supervisors (2 seats). The change registration was approved for the record by the Ministry of Economic Affairs with Letter Jing-Sho-Shang-Zi No. 10701077980 on 11 Jul 2018.

2. Major Board of Directors resolutions:

Time	Important resolutions
14 th Meeting of the 8 th Board of Directors 2018/01/26	1. Shares transfer of subsidiaries.
15 th Meeting of the 8 th Board of Directors 2018/03/26	<ol style="list-style-type: none"> 1. Discussion of the 2017 remuneration for directors and supervisors and employees. 2. The 2017 business report, individual financial statements, and consolidated financial statements. 3. The Company's 2017 earnings appropriation. 4. Amendment to the Regulations for Endorsements and Guarantees. 5. Directorial and supervisory elections. 6. Motion of cancelling the non-compete restriction on the newly-elected directors 7. Acceptance of the proposals and nomination made by shareholders holding 1% of shares. 8. Discussion of the date and place of the 2018 AGM 9. Operational Plan for year 2018. 10. The 2017 effectiveness evaluation of the internal control system and the Statement of Internal Control System. 11. The 2018 CPA audit fee. 12. Proposal to lend to second-level subsidiary "EFUN International Corporation."
16 th Meeting of the 8 th Board of Directors 2018/05/02	<ol style="list-style-type: none"> 1. Review of the list of nominees for directors and supervisors. 2. Cancellation of the non-compete restriction relieved for new directors approved by BOD. 3. Revision of matters in relation to the 2018 AGM. 4. Proposal to invest in "Longxiang Investment Co., Ltd"
17 th Meeting of the 8 th Board of Directors 2018/05/09	Proposal to lend to subsidiary "Neweb Technologies Co., Ltd"
9 th BOD	1. New Chairman election.

Time	Important resolutions
The 1st time 2018/06/14	
2 nd Meeting of the 9 th Board of Directors 2018/07/11	Proposal to endorse or guarantee subsidiary “Neweb Technologies Co., Ltd”
3 rd Meeting of the 9 th Board of Directors 2018/08/13	<ol style="list-style-type: none"> 1. Determination of the base date of 2017 cash dividend distribution. 2. Proposal to hire Remuneration Committee members. 3. Proposal to reduce endorsement or guarantee amount for second-level subsidiary “ezPay Corporation” (formerly Pay2go Technology Corporation).
4 th Meeting of the 9 th Board of Directors 2018/11/12	<ol style="list-style-type: none"> 1. Assess the policy, system, standard, and structure of the performance evaluation and remuneration of directors and supervisors. 2. Assess the policy, system, standard, and structure of the performance evaluation and remuneration of officers. 3. Proposal to cancel lending to second-level subsidiary “EFUN International Corporation.” 4. Proposal to increase the endorsement or guarantee amount for subsidiary “Neweb Technologies Co., Ltd” 5. Proposal to increase the endorsement or guarantee amount for subsidiary “Neweb Technologies Co., Ltd” 6. Establishment of the “Internal Material Information Processing SOP.” 7. Independence and suitability assessment of CPAs. 8. Issues for audit plans in 2019.
5 th Meeting of the 9 th Board of Directors 2019/03/21	<ol style="list-style-type: none"> 1. The 2018 effectiveness evaluation of the internal control system and the Statement of Internal Control System. 2. The 2019 CPA audit fee. 3. Shares transfer of subsidiaries. 4. Review of the proposal on the 2018 earnings distribution for directors, supervisors, and employees. 5. The 2018 business report, individual financial statements, and consolidated financial statements. 6. The Company’s 2018 earnings appropriation. 7. Amendments to the “Articles of Incorporation”. 8. Amendments to the Regulations Governing the Acquisition and Disposal of Assets. 9. Amendments to the Operational Procedures for Loaning Funds to Others 10. Amendment to the Regulations for Endorsements and Guarantees. 11. Motion of cancelling the non-compete restriction on the elected directors 12. Acceptance of the proposals and nominations made by shareholders holding 1% of shares. 13. Discussion of the date and place of the 2019 AGM 14. Operational Plan for year 2019.

- (XII) If the directors or supervisors have different opinions on the resolutions reached by the Board of Directors with a record or written statement made in the most recent year and up to the printing date of the annual report, please state the content of the opinion: None.
- (XIII) The summary of the resignation or dismissal of the Company’s Chairman, President, Accounting Officer, Finance Officer, Internal Audit Officer, and R&D Director in the most recent year and up to the printing date of the annual report: None.

V. Disclosure of CPAs' remuneration:

Firm Name	CPA Name		Duration of Audit	Remarks
Deloitte & Touche	Chiu-yen Wu	Chia-ling Chiang	2017.01.01-2018.12.31	

Note: If the CPA or CPA office is replaced in the then year, please specify the duration of audit separately, and the cause of replacement in the "Remarks" Section.

Fee levels \ Fee items		Auditing fee	Non-Auditing fee	Total
1	Below NT\$2,000 thousand		V	
2	NT\$2,000 thousand (inclusive) ~ NT\$4,000 thousand			
3	NT\$4,000 thousand (inclusive) ~ NT\$6,000 thousand			
4	NT\$6,000 thousand (inclusive) ~ NT\$8,000 thousand	V		V
5	NT\$8,000 thousand (inclusive) ~ NT\$10,000 thousand			
6	Over NT\$10,000 thousand (inclusive)			

- (I) If the non-auditing fee paid to the attestation CPAs, attestation CPA Firm, and the affiliated enterprises is for an amount more than one fourth of the auditing fee, the auditing amount, non-auditing amount, and the contents of the non-auditing service must be disclosed: None.
- (II) If the commissioned CPAs Firm is replaced and the auditing fee paid in the year of replacement is less than the auditing-fee paid in the prior year, the auditing fee before and after the replacement and the root cause should be disclosed: None.
- (III) If the audit remuneration was reduced by more than 15% from the previous year, the amount, percentage, and reasons for the reduction must be disclosed: none.

Monetary Unit: NT\$ Thousand

Firm Name	CPA Name	Non-Auditing fee					The duration of the audit	Remarks
		System design	Corporate Registration	Human Resources	Others (Note 2)	Subtotal		
Deloitte & Touche	Chiu-yen Wu	0	5	0	726	731	2018.01.01~2018.12.31	Other are transfer prices.
	Chia-ling Chiang							

Note 1: If there is any CPA or CPA Firm being replaced in current year, the auditing period should be indicated separately and the reason for such replacement should be detailed in the remark column; also, the information regarding the audit and non-audit fee paid should be disclosed.

Note 2: non-audit remuneration should be listed separately by service category. If the "Other" category amounts to 25% of total non-audit remuneration, then services must be detailed in the remarks column.

VI. Change of CPA: None.

VII. Any of the Company's Chairman, President, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company within the recent year: None.

VIII. Shareholding transfers and share collateralization within the latest year, up till the publication date of this annual report, initiated by directors, supervisors, managers and shareholders with more than 10% ownership interest:

(I) Shareholding changes of directors, supervisors, managers, and major shareholders

Title	Name	2018		By April 20 of the year.	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Chairman and President, major shareholder	WANG, CHUN-PO	0	0	0	0
Directors (Note 1)	CHEN, PO-CHANG	0	0	0	0
Directors (Note 1)	LI, JUNG-YI	(4,905)	0	0	0
Directors (Note 1)	LU, SHUE-SEN	0	0	0	0
Directors (Note 1)	WANG, HSUAN-TSE	0	0	0	0
Directors (Note 1)	LI, YIN-CHIANG	0	0	0	0
Independent Director (Note 1)	WANG, LI-JUNG	0	0	0	0
Independent Director (Note 1)	HSU, SHOU-DE	0	0	0	0
Supervisor (Note 1)	PAI, FENG-CHAO	0	0	0	0
Supervisor (Note 1)	WANG, SHU-CHUAN	0	0	0	0
Directors (Note 2)	WANG, CHIUNG-FEN	0	0	0	0
Directors (Note 2)	CHEN, CHING-JUNG	0	0	0	0
Directors (Note 2)	SHIH, MING-HAO	0	0	0	0
Directors (Note 2)	WU, AI-YUN	0	0	0	0
Independent Director (Note 2)	LI, MING-HSIEN	0	0	0	0
Independent Director (Note 2)	LIN, HSUAN-CHU	0	0	0	0
Supervisor (Note 2)	CHIEN, CHIN-CHEN G	0	0	0	0
Supervisor	CHANG, HUNG-YUAN	0	0	0	0
President, Group Financial Management Center	CHUNG, HSING- PO	0	0	0	0
Chief Internal Auditor	HUANG, MING-FEN	0	0	0	0
Chief accountant	HUANG, YA-CHUAN	0	0	0	0

Note 1: As he was the former director/supervisor before the director re-election at the AGM on 14 Jun 2018, the disclosure period of changes in shares should be 1 Jan 2018 to 14 Jun 2018.

Note 2: As he was the new director/supervisor after the director/supervisor re-election at the AGM on 14 Jun 2018, the disclosure period of changes in shares should be 14 Jun 2018 to 20 Apr 2019.

(II) The counterparty of equity transfer is a related party:

1. Shares transfer by directors, supervisors, officers, and shareholders holding over 10% of the outstanding shares: NA.

(III) The counterparty of equity pledge is a related party: None.

IX. Relationships among The Company's top ten shareholders including spouses, second degree relatives or closer:

Top 10 shareholders and their interrelationship

April 20 2019

Name (Note 1)	Self Status of shareholding		Shares Held by Spouse & Dependents		Shareholdings under the title of a third party		Spouse, Relative Of Second Degree Or Closer, Or Related Parties Defined In Statement Of Financial Accounting Standards No. 6 Among The Top Ten Shareholders; State Their Names And Relationships. (Note 3)		Remarks
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Shareholding Proportion	Name	Relation	
Wang, Chin-Po	21,594,350	16.94%	3,083,208	2.42%	0	0	KO, HSIU-YEN WANG, SHU-CHUAN WANG, CHUN-HSIUNG	Husband and wife Brother and sister Brothers	None
Xingtian Technologies Corporation Investment Account in Custody of KGI Commercial Bank Co., Ltd.	12,342,000	9.68%	0	0	0	0	None	None	None
Zilong Venture Capital Co., Ltd.	8,509,000	6.68%	0	0	0	0	None	None	None
Zilong Venture Capital Co., Ltd. Representative: WANG, LEE-JUNG	281,428	0.22%	6,000	0	0	0	None	None	None
Taiwan Branch, Belize Yiqiao Development Co., Ltd.	6,880,000	5.40%	0	0	0	0	None	None	None
Boju Financial Holdings Corporation Investment Account in Custody of Union Bank of Taiwan Co., Ltd.	4,120,000	3.23%	0	0	0	0	None	None	None
Xiu-Yan Ke	3,083,208	2.42%	21,594,350	16.94%	0	0	WANG, CHIN-PO	Husband and wife	None
Special Account for Investment of the Central Bank of Norway in custody of Citibank(Taiwan)	2,980,084	2.34%	0	0	0	0	None	None	None
Wanin International Co., Ltd.	1,828,000	1.43%	0	0	0	0	None	None	None
Wanin International Corporation Representative: Zheng-hao Xiao	16,000	0.01%	0	0	0	0	None	None	None
Wang, Shu-Chuan	1,726,324	1.35%	0	0	0	0	WANG, CHUN-PO WANG, CHUN-HSIUNG	Brother and sister Brother and sister	None
Jun-Xong Wang	1,629,512	1.28%	0	0	0	0	WANG, CHUN-PO WANG, SHU-CHUAN	Brothers Brother and sister	None

Note 1: Illustrate the top-ten shareholders. The name of the corporate shareholders and the name of its representative should be illustrated separately.

Note 2: The calculation of shareholding ratio refers to the shareholding ratio calculated in accordance with the shareholding of the shareholders, spouse, minor children, and in the name of others.

Note 3: Disclose the interrelationship of the shareholders listed above, including corporate investors and natural investors.

X. Investments jointly held by The Company, The Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by The Company.

Calculate shareholding in aggregate of the above parties:

Proportion of overall shareholding

Expressed in shares; NT\$ thousands; % December 31, 2018

Investee (Note)	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Combined investment	
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding
Chinese Gamer International Corporation	41,880,205	49%	1,228,037	1.43%	43,108,542	50.3%
Gameflir International Corporation	28,326,330	98.5%	0	0	28,335,576	98.5%
Soft World (Hong Kong) International	3,883,558	100%	0	0	3,883,558	100%
Game First International Corporation	16,684,063	70%	0	0	16,684,063	70%
Global Concept Corporation	9,631,253	100%	0	0	9,631,253	100%
Zealot Digital International Corporation	8,904,162	99%	49,287	0.55%	8,953,449	99.49%
Zilong Venture Capital Co., Ltd.	10,000,000	13%	0	0	10,000,000	13%
Soft-World Technology Pte. Ltd.	1,030,000	100%	0	0	1,030,000	100%
Fast Distributed Cloud Computing (Taiwan) Co., Ltd.	1,020,000	100%	0	0	1,020,000	100%
Interactive Entertainment Technology Co., Ltd.	480,000	80%	0	0	480,000	80%
Re:Ad Media Corporation	161,670	51%	0	0	161,670	51%
Dynasty International Information Co., Ltd.	1,460,610	86%	0	0	1,460,610	86%
Efun International Co., Ltd.	2,368,000	89%	0	0	2,368,000	89%

Investee (Note)	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Combined investment	
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding
Sofaman Technologies Co., Ltd.	276,600	60%	0	0	276,600	60%
Zealot Digital Pte. Ltd.	26,155,679	100%	0	0	26,155,679	100%
Neweb Technologies Co., Ltd.	56,232,998	50%	2,287,428	6.5%	28,520,426	56.94%
Efun International Corporation	7,726,988	89%	0	0	7,726,988	89%
Lung Hsiang Investment Co., Ltd	25,000,000	44%	0	0	25,000,000	44%
Celad Taiwan Inc.	1,000,000	25%	0	0	1,000,000	25%
Re:Ad Media Corporation	1,275,000	51%	0	0	1,275,000	51%
Joy Children Technology Co., Ltd.	2,051,153	32%	0	0	2,051,153	32%
We Can Financial Technology Co., Ltd.	3,781,000	37.81%	0	0	3,781,000	37.81%
iJoining Corporation	160,000	11%	0	0	160,000	11%

Note: Investments using the equity method

Four. Funding Status

I. The Company's capital stock and stock shares

(I) Capital Sources

1. Process where the share capital was formatted

Year and month	Issuing price	Authorized shares capital		Paid-in shares capital		Remarks		
		Quantity	Amount	Quantity	Amount	Sources of shares and dividends	Paid in properties other than cash	Others
February 1983	Note 1	Note 1	5,000,000	Note 1	5,000,000	Cash	-	-
December 1989	Note 1	Note 1	25,000,000	Note 1	25,000,000	Issuance of common stock for cash \$20,000,000	-	-
June 1996	10	5,100,000	51,000,000	5,100,000	51,000,000	Issuance of common stock for cash \$26,000,000	-	-
September 1996	10	7,000,000	70,000,000	7,000,000	70,000,000	Issuance of common stock for cash \$19,000,000	-	-
October 1997	10	12,000,000	120,000,000	12,000,000	120,000,000	Issuance of common stock for cash \$50,000,000	-	-
September 1998	13	19,000,000	190,000,000	19,000,000	190,000,000	Issuance of common stock for cash \$70,000,000	-	-
June 1999	10	20,900,000	209,000,000	20,900,000	209,000,000	Recapitalization of earnings \$19,000,000	-	Note 2
October 2000	10	26,229,500	262,295,000	26,229,500	262,295,000	Recapitalization of earnings \$31,350,000 Capital surplus transferred to capital \$16,720,000 Capital increased by employees' bonus \$5,225,000	-	Note 3
October 2001	10	65,000,000	650,000,000	37,560,000	375,600,000	Recapitalization of earnings \$104,918,000 Capital increased by employees' bonus \$8,387,000	-	Note 4
November 2002	10	52,560,000	525,600,000	37,644,000	376,440,000	Convertible corporate bonds Converted to ordinary shares \$840,000	-	Note 5
November 2002	10 10 82 10	90,000,000	900,000,000	63,108,327	631,083,270	Recapitalization of earnings \$93,900,000 Capital increased by employees' bonus \$9,605,500 Issuance of common stock for cash \$150,000,000 Convertible corporate bonds Converted to ordinary shares \$1,137,770	-	Note 6
January 2003	10	90,000,000	900,000,000	63,332,603	933,326,030	Convertible corporate bonds Converted to ordinary shares \$2242760		Note 7

Year and month	Issuing price	Authorized shares capital		Paid-in shares capital		Remarks		
		Quantity	Amount	Quantity	Amount	Sources of shares and dividends	Paid in properties other than cash	Others
March 2003	10	90,000,000	900,000,000	63,397,152	633,971,520	Convertible corporate bonds Converted to ordinary shares \$645,490	-	Note 8
September 2003	10	120,000,000	1,200,000,000	78,009,344	780,093,440	Recapitalization of earnings \$114,114,870 Capital increased by employees' bonus \$12,500,000 Convertible corporate bonds Converted to ordinary shares \$19,507,050	-	Note 9
October 2003	10	120,000,000	1,200,000,000	78,114,108	781,141,080	Convertible corporate bonds Converted to ordinary shares \$1,047,640	-	Note 10
January 2004	10	120,000,000	1,200,000,000	78,210,918	782,109,180	Convertible corporate bonds Converted to ordinary shares \$968,100	-	Note 11
March 2004	10	120,000,000	1,200,000,000	78,490,742	784,907,420	Convertible corporate bonds Converted to ordinary shares \$2,798,240	-	Note 12
October 2004	10	126,690,000	1,266,900,000	94,695,281	946,952,810	Recapitalization of earnings \$141,283,330 Capital increased by employees' bonus \$19,900,000 Convertible corporate bonds Converted to ordinary shares \$862,060	-	Note 13
January 2005	10	126,690,000	1,266,900,000	94,698,858	946,988,580	Convertible corporate bonds Converted to ordinary shares \$35,770	-	Note 14
October 2005	10	152,000,000	1,520,000,000	105,591,344	1,055,913,440	Recapitalization of earnings \$93,924,860 Capital increased by employees' bonus \$15,000,000	-	Note 15
May 2006	10	152,000,000	1,520,000,000	105,591,344	1,055,913,440	Merger with Yuding Investment Co., Ltd.	-	Note 16
October 2006	10	152,000,000	1,520,000,000	111,459,057	1,114,590,570	Recapitalization of earnings \$51,971,170 Capital increased by employees' bonus \$6,705,960	-	Note 17
April 2007	10	152,000,000	1,520,000,000	112,730,557	1,127,305,570	Shares conversion with employee stock warrants \$12,715,000	-	Note 18
July 2007	10	180,000,000	1,800,000,000	112,754,057	1,127,540,570	Shares conversion with employee stock warrants \$235,000	-	Note 19

Year and month	Issuing price	Authorized shares capital		Paid-in shares capital		Remarks		
		Quantity	Amount	Quantity	Amount	Sources of shares and dividends	Paid in properties other than cash	Others
October 2007	10	180,000,000	1,800,000,000	112,769,057	1,127,690,570	Shares conversion with employee stock warrants \$150,000	-	Note 20
October 2007	10	180,000,000	1,800,000,000	122,783,301	1,227,833,010	Recapitalization of earnings \$89,342,440 Capital increased by employees' bonus \$10,800,000	-	Note 21
April 2008	10	180,000,000	1,800,000,000	123,382,301	1,233,823,010	Shares conversion with employee stock warrants \$5,990,000	-	Note 22
August 2008	10	180,000,000	1,800,000,000	123,406,551	1,234,065,510	Shares conversion with employee stock warrants \$242,500	-	Note 23
October 2008	10	180,000,000	1,800,000,000	123,426,551	1,234,265,510	Shares conversion with employee stock warrants \$200,000	-	Note 24
November 2008	10	180,000,000	1,800,000,000	125,039,565	1,250,395,650	Recapitalization of earnings \$6,130,140 Capital increased by employees' bonus \$10,000,000	-	Note 25
April 2009	10	180,000,000	1,800,000,000	125,661,815	1,256,618,150	Shares conversion with employee stock warrants \$6,222,500	-	Note 26
July 2009	10	180,000,000	1,800,000,000	125,681,065	1,256,810,650	Shares conversion with employee stock warrants \$192,500	-	Note 27
November 2009	10	180,000,000	1,800,000,000	126,900,001	1,269,000,010	Recapitalization of earnings \$6,209,850 Capital increased by employees' bonus \$5,979,510	-	Note 28
October 2010	10	180,000,000	1,800,000,000	127,527,131	1,275,271,310	Recapitalization of earnings \$6,271,300	-	Note 29
October 2011	10	180,000,000	1,800,000,000	128,161,332	1,281,613,320	Recapitalization of earnings \$6,342,010	-	Note 30
December 2011	10	180,000,000	1,800,000,000	127,474,332	1,274,743,320	Capital reduction at \$6,870,000 by cancellation of treasury stock.	-	Note 31

Note 1: The number of shares was not disclosed as we were a company of limited liabilities.

Note 2: Approved by the Securities and Futures Institute (SFI) of MOF with Letter (88) Tai-Cai-Zheng-(1) No. 63885 on July 13, 1999.

Note 3: Approved by the Securities and Futures Institute (SFI) of MOF with Letter (89) Tai-Cai-Zheng-(1) No. 83821 on October 9, 2000.

Note 4: Approved by the Securities and Futures Institute (SFI) of MOF with Letter (90) Tai-Cai-Zheng-(1) No. 003176 on July 31, 2000.

Note 5: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 0910460360 on November 12, 2002.

Note 6: Approved by MOF-SFI with Letter Tai-Cai-Zheng-(1) No. 0910144569 on August 12, 2002; MOF-SFI with Letter Tai-Cai-Zheng-(1) No. 0910144570 on August 20, 2002; and MOEA with Letter Jing-Sho-Shang-Zi No. 0910472470 on November 21, 2002.

Note 7: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09201018880 on January 17,

2003.

- Note 8: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09201082170 on March 20, 2003.
- Note 9: Approved by MOF-SFI with Letter Tai-Cai-Zheng-(1) No. 0920131967 on July 16 2003 and MOEA with Letter Jing-Sho-Shang-Zi No. 0920127197 on September 18, 2003.
- Note 10: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 0920129394 on October 17, 2003.
- Note 11: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09301006880 on January 20, 2004.
- Note 12: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09301044360 on March 26, 2004.
- Note 13: Approved by MOF-SFI with Letter Jing-Guan-Zheng-(1) No. 0930136080 on August 13, 2004 and MOEA with Letter Jing-Sho-Shang-Zi No. 0930119363 on October 11, 2004.
- Note 14: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09401008700 on January 24, 2005.
- Note 15: Approved by Financial Supervisory Commission (SFC) of the Executive Yuan with Letter Jing-Guan-Zheng-(1) No. 0940140986 on September 16, 2005 and MOEA with Letter Jing-Sho-Shang-Zi No. 09401218300 on November 2 2005.
- Note 16: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09501113330 on June 26, 2006.
- Note 17: Approved by SFC with Letter Jing-Guan-Zheng-(1) No. 0950142803 on September 13, 2006 and MOEA with Letter Jing-Sho-Shang-Zi No. 09501246500 on November 1, 2006.
- Note 18: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09601101320 on May 11, 2007.
- Note 19: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09601202150 on August 22, 2007.
- Note 20: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09601263770 on October 26, 2007.
- Note 21: Approved by SFC with Letter Jing-Guan-Zheng-(1) No. 0960050206 on September 11, 2007 and MOEA with Letter Jing-Sho-Shang-Zi No. 09601291580 on November 27, 2007.
- Note 22: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09701099560 on April 25, 2008.
- Note 23: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09712023100 on August 13, 2008.
- Note 24: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09701271370 on October 24, 2008.
- Note 25: Approved by SFC with Letter Jing-Guan-Zheng-(1) No. 0970052282 on October 3, 2008 and MOEA with Letter Jing-Sho-Shang-Zi No. 09701298050 on November 21, 2008.
- Note 26: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09801084640 on April 30, 2009.
- Note 27: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 09801172710 on July 30, 2009.
- Note 28: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 098012585400 on November 6, 2009.
- Note 29: Approved by SFC with Letter Jing-Guan-Zheng-(1) No. 0990044721 on August 24, 2010 and MOEA with Letter Jing-Sho-Shang-Zi No. 09901242820 on October 29, 2010.
- Note 30: Approved by SFC with Letter Jing-Guan-Zheng-(1) No. 1000038480 on August 19, 2011 and MOEA with Letter Jing-Sho-Shang-Zi No. 10001250530 on November 7, 2011.
- Note 31: Approved by MOEA with Letter Jing-Sho-Shang-Zi No. 10001285300 on 20 December 2011.

2. Disclose the information regarding the amount and securities to be and have been issued with approval for issuing securities through collective reporting: NA.

3. Type of shares

Stock Type	Authorized shares capital			Remarks
	Outstanding shares (OTC)	Unissued Shares	Total	
Common stock	127,474,332	52,525,668	180,000,000	GTSM-listing companies stock

(II) Shareholders structure

April 20, 2019

Composition of Shareholders	Government Apparatus	Financial Institution	Other Juridical	Individual	Foreign institutions and foreigners	Total
Amount						
No. of Person	0	1	58	21,946	158	22,163
Shares	0	993,000	11,532,517	71,898,302	43,050,513	127,474,332
Ratio of Shareholding	0%	0.78%	9.05%	56.39%	33.78%	100.00%

Note 1: IPO companies and emerging listed companies shall disclose the proportion of PRC investments. PRC investments refer to the investments made by the citizens, companies, groups, other organizations, or the companies they invest in a third region as specified in Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in Taiwan.

(III) Ownership diversification

1. Ordinary shares

Diversification of Shareholdings

NT\$10/share

April 20, 2019

Range of Shares	No. of Shareholders	Shares	Ratio of Shareholding (%)
1 - 999	13,492	547,754	0.43%
1,000 - 5,000	7,397	13,083,762	10.26%
5,001 - 10,000	680	4,789,089	3.76%
10,001 - 15,000	233	2,758,113	2.16%
15,001 - 20,000	84	1,464,109	1.15%
20,001 - 30,000	81	1,937,146	1.52%
30,001 - 50,000	76	2,942,906	2.31%
50,001 - 100,000	43	2,895,166	2.27%
100,001 - 200,000	25	3,318,109	2.60%
200,001 - 400,000	15	4,098,689	3.22%
400,001 - 600,000	8	3,900,760	3.06%
600,001 - 800,000	2	1,541,000	1.21%
800,001 - 1,000,000	6	5,447,178	4.27%
1,000,001 and above	21	78,750,551	61.78%
Total	22,163	127,474,332	100%

2. Preference shares: None.

(IV) List of major shareholders: shareholders with shareholding exceeding 5% with top 10 shareholding percentages

April 20, 2019

Name of Principle shareholder	Stock	Shares	Ratio of Shareholding
WANG, CHIN-PO		21,594,350	16.94%
Xingtian Technologies Corporation Investment Account in Custody of KGI Commercial Bank Co., Ltd.		12,342,000	9.68%
Zilong Venture Capital Co., Ltd.		8,509,000	6.68%
Taiwan Branch, Belize Yiqiao Development Co., Ltd.		6,880,000	5.40%
Boju Financial Holdings Corporation Investment Account in Custody of Union Bank of Taiwan Co., Ltd.		4,120,000	3.23%
Xiu-Yan Ke		3,083,208	2.42%
Special Account for Investment of the Central Bank of Norway in custody of Citibank(Taiwan)		2,980,084	2.34%
Wanin International Co., Ltd.		1,828,000	1.43%
Wang, Shu-Chuan		1,726,324	1.35%
Jun-Xong Wang		1,629,512	1.28%

(V) Market price, net value, earnings, dividend per share and related information in the last 2 years

Information regarding the market price per share, total value, earnings, and dividends

Item \ Year		2017	2018	As of March 31, 2019
Market Price Per Share (Note 1)	The Highest	96.8	103	74.6
	The Lowest	62.2	62.3	65.0
	Average	76.51	82.73	70.51
Net Value Per Share (Note 2)	Before Distribution	44.50	44.48	-
	After Distribution	Note 9	Note 9	Note 9
Earnings per share (Note 3)	Weighted average shares	127,474 thousand shares	124,717 thousand shares	122,145 thousand shares
	Cum-dividend	3.28	3.70	-
	Ex-dividend	3.28	Note 9	-
Dividend Per Share	Cash dividends	2.0	Note 9	-
	Free-Gratis Dividends	Note 9	0	Note 9
		Note 9	0	Note 9
	Cumulative undistributed dividends (Note 4)	0	Note 9	-
Return on investment Analysis	P/E ratio (Note 5)	23.33	22.36	-
	Price to dividends ratio (Note 6)	38.26	Note 9	-
	Cash dividend yield (Note 7)	2.61%	Note 9	-

* If there is increased capital by recapitalization of earnings and capital surplus, the information on market prices and cash dividends retroactively adjusted in accordance with the number of shares issued should be disclosed.

Note 1: Disclose the highest and lowest market price of each year and calculate average market price in accordance with the annual transaction value and volume.

Note 2: It is based on the outstanding shares at year end and the distribution proposal resolved in the shareholders' meeting in the following year.

Note 3: If a retroactive adjustment is needed due to stock dividend, the earnings per share before and after the adjustment must be disclosed.

Note 4: If the unappropriated dividend can be accumulated for distribution in the year with earnings subject to the equity securities issuance conditions, the cumulative unpaid dividends for the year ended shall be separately disclosed.

Note 5: Price-Earnings Ratio = Average closing price per share of current year / Earnings per share

Note 6: Dividend Yield = Average closing price per share of current year / Cash dividend per share

Note 7: Cash Dividend Yields = Cash dividend per share / Average closing price per share of current year

Note 8: Net worth per share and earnings per share should be based on audited (auditor-reviewed) data as at the latest quarter before the publishing date of this annual report. For all other fields, data should be provided as at the end of their respective years.

Note 9: The 2018 dividend per share shall be distributed after the approval of the 2019 AGM.

(VI) The company's dividend policies and execution:

1. Dividend Policy:

When there are net earnings after the account is closed, apart from paying the income tax by law, this company shall compensate for the deficits in previous years and then appropriate 10% to the legal reserve, except when the amount of legal reserve has reached the amount of paid-in capital. In addition, this company shall appropriate or reverse the special reserve by law or as necessary. Earnings shall be distributable earnings of the year. Others will be combined with the beginning undistributed

earnings as accumulated undistributed earnings. BOD shall present a earnings distribution proposal to the AGM for approval prior to distribution.

In consideration of the need for future expansion and R&D and coordination with the macro environment and industry characteristics for sustainable development and long-term profits for shareholders, dividends are appropriated based on the accumulated distributable earnings, provided the amount shall not be lower than 15% of the distributable earnings of the year under our dividend policy. However, no dividend will be distributed when the amount of accumulated distributed earnings is lower than 25% of the amount of paid-in capital. Dividends are released in either cash or stock, provided the amount of cash dividend shall not be lower than 10% of the total amount of dividends.

2. Dividend distribution proposed for the next annual general meeting:

- (1) In 2018, NT\$280,443,530 was appropriated from the distributable earnings as dividend released in cash at NT\$2.2 per share.
- (2) In the event that the Company recovers and cancel the employee restricted shares or buys back the company's shares or transfers treasury stock on a later date to an extent that it affects the number of outstanding shares circulating in the market and the dividend distribution ratio, the AGM is advised to authorize the BOD to adjust the ratio of dividends.

3. There is no significant change in the dividend policy.

(VII) Impacts on business performance and earnings per share if the stock dividend proposal is approved during the annual general meeting

Unit: NT\$

Item		Year	Year 2019 (Forecast)
Beginning paid-in capital			1,274,743,320
Stock Dividend in the current period	Cash dividend per share		2.2 (Note 1)
	Number of shares per share allocated from capitalization with retained earnings		0 (Note 1)
	Number of shares per share allocated from capitalization with capital reserves		0
Changes in business performance	Operating profit		(Note 2)
	Proportion of change in the operating income from the same period of the previous year (%)		(Note 2)
	Income after taxation		(Note 2)
	Proportion of change in the after-tax net profit from the same period of the previous year (%)		(Note 2)
	Earnings per share		(Note 2)
	Proportion of change in EPS from the same period of the previous year (%)		(Note 2)
	Annual average of ROI (annual average P/E reciprocal)		(Note 2)
Pro forma EPS and P/E ratio	If the retained earnings for capitalization into new shares were switched to payment of a cash dividend in the full amount	Pro forma earnings per share (EPS)	(Note 2)
		Pro forma annual average ROI	(Note 2)
	If there was no capitalization of additional paid-in capital	Pro forma earnings per share (EPS)	(Note 2)
		Pro forma annual average ROI	(Note 2)
	Cash dividends will be released when no there is capitalization with retained earnings or capitalization with capital reserves.	Pro forma earnings per share (EPS)	(Note 2)
		Pro forma annual average ROI	(Note 2)

Note 1: To be approved at the upcoming AGM.

Note 2: Impacts of the stock grants proposed by the current AGM on the company's operations and EPS:
Not applicable as we do not need to make a financial forecast for this year.

(VIII) Remuneration to employees, directors, and supervisors

1. The percentage or scope of remuneration to the employees, Directors, and Supervisors as stated in the Articles of Incorporation:
This company shall appropriate a minimum of 2% and a maximum of 2% of net earnings of profit as profit sharing for employees and directors/supervisors respectively. The distribution proposal shall be submitted to AGM for approval. However, if the Company still has accumulated losses, the amount shall be retained for compensation, and then appropriated as remuneration to employees, directors and supervisors based on the percentages mentioned above.
2. The estimation basis of remuneration to employees, directors and supervisors for the current period, and the accounting process when there is discrepancy between the calculation basis and actual distribution amount of employee remuneration distributed by shares and the estimated value:
 - (1) The amount of profit sharing for employees and directors/supervisors of this year has been estimated based on the possible amount of release in the past.
 - (2) The amount of the 2018 profit sharing for employees has been estimated based on the basis for calculating the shares as profit sharing for employees and the actual amount of distribution. The difference between this amount and the estimated amount shall be recognized as 2019 gains/losses.
3. Remuneration to be distributed as resolved in the board of directors:
 - (1) When the amount of profit sharing for employees, directors, and supervisors is different from the estimated amount recognized in the year, disclose the amount, cause(s), and treatment of the difference.
The amount of the 2018 profit sharing for employees, directors, and supervisors has been approved by BOD, including NT\$31,281,000 as profit sharing for employees and NT\$6,256,170 as profit sharing for directors and supervisors. This amount is the same as that of the estimated amount recognized in the year.
 - (2) the amount of payment to employees in the form of stocks in proportion to the net income stated in the separate financial statements in proportion to the total amount of remuneration to the employees:
All 2018 profit sharing for employees will be distributed in cash, and there will be no stock as profit sharing for employees.
 - (3) The imputed earnings per share of NT\$2.2 after distributing the remuneration to employees, directors, and supervisors is to be proposed for distribution.
4. Actual status of distributing remuneration to employees, directors and supervisors in the previous year (including the number of shares distributed, amount and share price), difference number, reasons and process status if there is discrepancy between the actual amount and the amount recognized: Not applicable.

(IX) Buy-back of the Company's shares by the company: None.

II. Disclosure relating to corporate bonds: None.

III. Disclosure relating to preference shares: None.

IV. Disclosure relating to depository receipts: None.

V. Employee stock options/warrants and restricted stock awards (RSA): None.

VI. Disclosure on new shares issued in exchange of other company shares: None.

VII. Progress on the use of funds: None.

V. Operation Profile

I. Content of business:

(I) Scope of business:

1. The main contents of the business service

- F218010 Retail Sale of Computer Software
- CC01110 Computers and Computing Peripheral Equipments Manufacturing
- F118010 Wholesale of Computer Software
- I301010 Software Design Services
- F113070 Wholesale of Telecom Instruments.
- I301030 Digital Information Supply Services
- E701010 Telecommunications Construction.
- F401010 International Trade.
- J303010 Magazine and Periodical Publication.
- I401010 General Advertising Services.
- J602010 Agents and Managers for Performing Arts, Entertainers, and Models.
- J305010 Audio Tape and Record Publishers.
- F209060 Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles.
- F109070 Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles.
- JZ99050 Agency Services.
- ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- G902011 Type II Telecommunications Enterprise.

2. Operating Ratios

Unit: NT\$ thousand

Product	2018		2017	
	Amount of operating income	Operating ratio	Amount of operating income	Operating ratio
Income from online game software	2,014,388	36.28	14,314,192	91.69
Others	3,538,279	63.72	1,297,737	8.31
Total	5,552,667	100.00	15,611,929	100.00

3. Current Company Products (Services) at

- A. Computer game software research and development, production, and trade.
- B. Domestic and foreign computer game software dealership and trade.
- C. Computer game culture magazines, guides, books, and advertisements.
- D. Research and Development, Dealership, Distribution, and Release of Online Games:
 - Heroes of Jin Yong, Warriors of Fate 3, Heroes of Yee Wong 2, Longteng Three Kingdoms, The Three Swordsmen, Q ONLINE, Legends of Emperor, Diamond club, Chinese Hero, NS Online, Warriors of Fate 2, Wu-Lin Heroes, Three-Kingdom Period, Zu Warriors from the Magic Mountain, Heroes of Yee Wong , Wonderland, Love Box, Warriors of Fate , Heroes of Jin Yong, Legend of Three-Kingdom, Legends of Emperor , Angel love, Dragon Oath, Perfect world, Nobunaga' s Ambition, Crossout, Shushan (Singapore, Malaysia Edition), Shushan, War thunder, Dragon Nest, Heavenly sword, BOMB Tank, The Storm Mainland, Dungeon adventure, Battle Underworld, Siege Three Kingdoms, The diablo killer.
- E. Peripheral Products Development and Sales
- F. "MyCard" Platform Connected Games and Digital Content Service Products
- G. e-PLAY smart gaming network digital sales platform featuring various game cards, virtual goods packs, peripheral game commodities, entertainment and travel tickets and vouchers, foods, and all kinds of daily products.

H. Mobile Games: Silver key, Warriors of Fate M, Reborn, Falling cherry blossom dream, Legend of the arms, Wonderland mobile, Sakura Remake, Huang Yi Send, Underworld, One Hundred Thousand Bad Jokes-Side Story, Super Heroes, Battle Dragon, Absolute Territory.

4. Planning of New Products (Services) for Development

The R&D Department of Soft-World International Corp. continues to develop new game software and peripheral game products in order to enhance the added value of games, thereby bringing unlimited business opportunities.

- (1) Continue to expand MyCard digital content applications and consolidate its leading status in Taiwan, Hong Kong, and Macau markets.

MyCard is the most widely used digital game point platform in Taiwan, Hong Kong, and Macau areas, inserted with over 2,400 game and digital content service products. In addition to commitment in value-added game point applications, extensions such as e-PLAY sales promotion, APP marketing, interactive audio/video advertising platforms, exhibition activity undertakings, graphic audio/video multimedia, etc. and other all-round integrated marketing services are provided to rapidly grasp the key to market sales and become the top-choice channel brand for domestic and overseas gamers to enter Taiwan, Hong Kong, and Macau markets.

- (2) Focus on “ElsWor Transfer to Mobile game” R&D Strategy to Enhance Self-R&D Technologies and Local Operating Strengths:

In 2018, the main targeted “ElsWor Transfer to Mobile games” strategy of ChineseGamer International Corp., the subsidiary of Soft-World Inc., turned out well, successfully winning the favor of players with the “Warriors of Fate M” game. This year, two games “Love BoxM” and “Huang Yi M” are expected to lead players in reexperiencing classic games. Looking ahead, classic games “Legends of Emperor Online” and “Chinese HeroOnline” will continue to be introduced to players in mobile games.

In addition, Soft-World International Corp. will pay close attention to the development direction of new games, continue to engage in innovative theme development, and introduce outstanding game dealers from at home and abroad, thereby fully connecting the industrial trends.

- (3) Expansion in Game Art and Featured Music Production Specialized Fields:

The continuous growth of global game markets has given rise to great demand for art and music production services. In addition to demonstrating large-game R&D capabilities, Zealotdigital has actively undergone transformation to engage in game art production. The Company has a team with over 20 years of art experience, which along with Soft-World Music Production Center’s resources, have contributed to extended releases of art and music production services and the effective development of characteristic creation related specialized fields. At present, it is collaborating with major game manufacturers in Japan, Korea, and China to expand entertainment related business opportunities and expand operational momentum in concerted efforts.

- (4) Activation of IP Resources and Creation of Diversified Authorization related Business Opportunities

Soft-World International Corp. has deep plowed the gaming field, accumulating hundreds of resourceful IP creation assets, including many classic PC game masterpieces, Kungfu novels, proses, and other works featuring rich and diverse contents. In addition to the game products developed by the subsidiaries, Soft-World International Corp. has also simultaneously engaged in IP authorization collaboration with many R&D agencies in China to develop a variety of mobile games with different modes of play, accelerate mass production, and share profits. In addition, combining the IP brand momentum, engage in animation, television, and peripheral product cross-domain collaboration, diverse authorization related business opportunities can be created.

- (5) Deepening of Network Marketing Media Fields; All-round Expansion of Service Scope through Digital Advertising Services

In response to the global business needs, the Company’s marketing focus has

shifted from traditional media to digital new media. Optimistic about Taiwan's digital advertising market growth and demand, Soft-World International Corp. has entered the digital advertising field in recent years. Its subsidiary EFUN International and READ Media Corporation have one after another acquired advertising dealers officially certified by Google, Facebook, and Yahoo to provide professional marketing consultancy, art multimedia production, advertising technology platforms, and big data analysis services to provide advertisers with accurate digital advertising and business marketing strategic services, thereby jointly creating the opportunity to succeed.

(6) Opening-up Offline Payment Cooperation Bases; Endeavoring for Dual-core Collections and Payment Transfer and Electronic Payment

In addition to continuing to strive to expand the existing collections and payment transfer business, the financial technology business groups under Soft-World International Corp. will launch a focal service "ezAIO easy collection" smart payment platform system, integrate electronic payment, mobile payment, e-tickets, and various payments through acquirer banks. In addition, combining store account inquiries and TMS end-of-line management, diverse payment management platforms of physical stores are provided, while "ezPay easy pay" e-wallet will also be introduced to substantively open-up offline channels, develop diverse payment gateway applications, and promote market economy scale and member growth.

(II) Industry Overview:

1. Current Industry Situation and Development

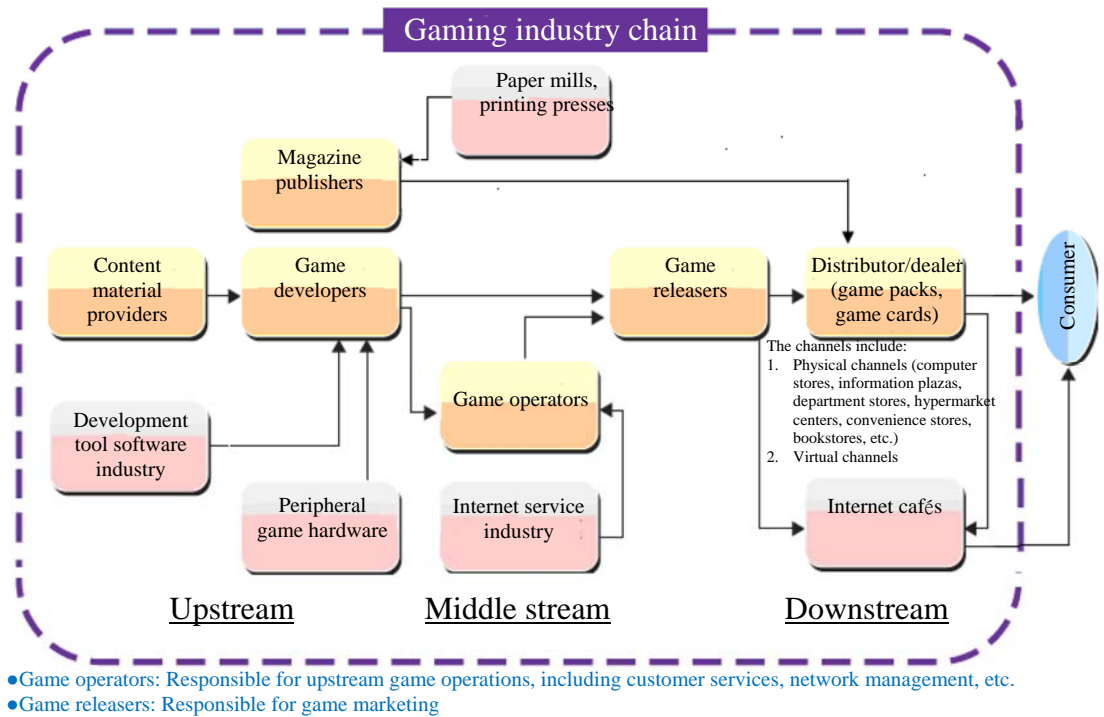
In the global game markets, the boosting by emerging markets such as India has resulted in a sharp increase in mobile game revenues and the expected strong growth in console games. However, due to reduced game releases in China, the growth will remain limited. Newzoo pointed out that China's establishment of a monitoring system has made it harder for overseas gamers to release games in China, and it may take time to adjust product contents. On the other hand, new regulatory provisions have also left Chinese game companies no choice but to shift focus to overseas markets, especially in regions with high market potential, including Southeast Asia, Japan, South Korea, Europe, the United States, and Middle East.

Concerning mobile games, since smart phones are up-to-date and can be conveniently carried, they almost resemble mini PCs, according to Newzoo's forecast, mobile game screens will become more realistic in the future, while competitive mobile games will become more popularized.

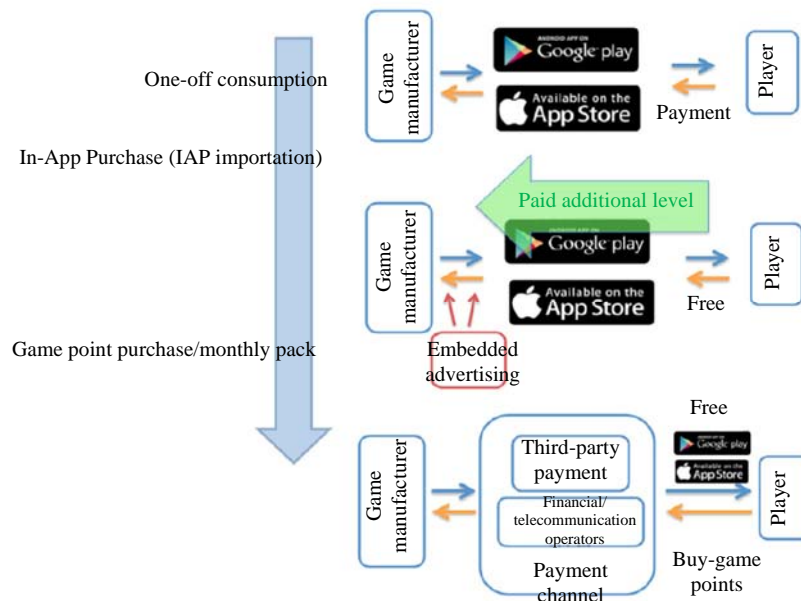
Taiwan boasts diverse and mature game market development. With the popularization of the Internet and mobile phones, "mobile leisure" has gradually become an indispensable form of entertainment for the people in Taiwan and in the lives of players. Mobile games have gradually become Taiwan's mainstream game market. With fast product releases, as well as players' full range of requirements for game style, flamboyant artistry, and maneuverability, IP games and intense games are still favored in the market and by players. According to Newzoo's 2018 Taiwan game market survey report, the 14.5 million players in Taiwan in 2018 spent US\$1.3 billion (about NT\$37.7 billion), making Taiwan the world's 15th largest game market. Among the online population of Taiwanese consumers in recent years, 67% of the males and 65% of the females played mobile games at least once a month. Under the same standard, only 54% males and 38% females played computer games at least once a month. Comparatively, only 35% males and 20% females played console games, an indication that mobile games are today's trend and upsurge.

Soft-World International Corp. has deep plowed the digital gaming industry and has reached out to network marketing media and financial technology business, fully developing the three business fields. The subsidiaries are focused on diversified operations in game R&D, dealer operations, channel distribution, network integrated marketing, financial payment innovation, and other aspects, heading toward the diversified layout of the Internet group domain.

2. Relevance of Industry Upstream, Middle Stream, and Downstream



The game manufacturers of mobile games no longer need to find dealers locally. Instead, products are installed with the traditional Chinese system to be released and sold through two major international mobile game platforms (Google Play and Apple iOS), enabling game manufacturers to skip dealers and directly reach consumers. If consumers wish to purchase a game, all they have to do is directly download it to complete the purchase. Moreover, with the assistance of Facebook (FB), LINE and other social media and advertising, game manufacturers no longer need to purchase local advertising through a dealer in Taiwan to directly reach Taiwanese consumers. Mobile games available on the Taiwan market have faced large-scale global competitions. Outstanding and fun games from around the world can all reach Taiwanese consumers, depriving local Taiwanese game companies the local advantage it once had. Once a product goes online, it immediately faces competition from other international game products.



The Company as the developer, releaser, and distributor mainly engages in game magazine release. The magazines are completely edited and marketed by the Company, and the Company actively and extensively engages in platform management and extends to develop all-round integrated marketing services, including APP marketing, exhibition

venue activity holding, printed audio and video multimedia, while it also reaches out to network marketing media business to provide digital advertising services for three major global social networks including Facebook, Instagram, and Google. The service scope is extended to industry-wide brand applications to maximize network opportunities. Therefore, the Company's businesses are said to reach out to upstream, middle stream, and downstream fields.

Industry Supply Chain	Game Industry Role Positioning	Remark
Upstream	Developer	Focused on planning, art, music, program, and software development tools required in game product R&D, the key competitive factor is planning, art, and program capability, and the market response for a game is determined by the work quality of the game development team.
Middle stream	Operational releaser	The key competitive factors of the game industry whose major development item is product dealership are marketing competency and operational management.
Downstream	Distributor	It is responsible for marketing and game card sales, bearing the risk of whether dealership products are favored by consumers.

3. Various Product Development Trends and Competitive Situation

A. Product Development Trends

With flourishing mobile game market developments, game operators around the world have one after another headed toward the goal of globalized operations. However, with the launch of mobile game products in large quantities, the modes of play have become similar. Meanwhile, IP themes not only are much heard of, they also effectively attract players through rich stories. On top of this, they easily emotionally link with target groups, thus enhancing game adhesion, prolonging product cycle, and deriving at better business performance. The focus of business not only includes constant R&D technology upgrades, but also to a greater extent focuses on product innovation and breakthroughs. Combining IP theme use, market differentiation can be created; by closely catering to user needs, the market trends can be grasped. Additionally, by timely authorizing collaboration and issuing a diversity of products through domestic and foreign market dealership and strengthening local operational characteristics, the existing local market advantage can be consolidated, while overseas markets for product releases can be expanded.

B. Industrial Competition Situation

In response to the rapid development of global game markets, game products come in great varieties, competition is fierce, and the overall business environment is complex. In addition to focusing on the game industry field development, the Company has also constructed a complete industry service chain featuring channels, IP, R&D, dealership, art, and music to continue to strengthen its competitive advantage, and enhance the core technology strength. With game operation experience as the starting point, the Company reaches out to two key industries, namely, network marketing and financial technology to actively develop various innovative application services and extend service users and markets, thereby heading toward the network domain diversification layout.

(III) Summary of Technology and R&D

1. Technology Level and Research and Development

(1) Multi-platform Product Development

Targeting popular platforms and devices on the market at present including three major directions, namely, mobile platforms (such as smart phones, tablet PCs), SNS social network platforms (such as Facebook, Line), wearable devices (such as iWatch, AR/VR), bottom core engines and game production integration tools needed for development related games have been developed to effectively present game innovation, VR/AR games, realization of game planning creation, intuitive/perceived UI design, platform member connect, cash service connect, marketing resource connect, and big data analysis systems as major development items.

(2) Cross-platform Product Integration

In addition to carrying out product development and research and development of the aforementioned platforms and devices that are currently popular on the market or in line with the latest trends, links between existing PC and mobile platform games are strengthened to bring players with more diverse modes of play, richer contents, and more diverse interfaces, thereby creating higher added value of games, which depends on the platforms' ability to grasp core technologies and instant cross-platform data transfer and conversion, the key to success in second-generation game competition.

(3) Planning Creativity Breakthroughs

The fun and vitality of game products lie in planning innovation and creativity, grasp of the core of fun-based games, and the product providing players with a sense of accomplishment and the thrill of challenge, all of which are essentially the focuses of planning.

(4) Operational Support System

In consideration of the current product operational mechanism, business model planning and conceptualization items have been established to analyze existing game business models, complementary marketing and sales, and other mechanisms and processes. In addition, game player dynamic data analysis can be combined and big analysis imported to effectively grasp game operational performance and players' fun responses, thereby quickly reflecting and adjusting product contents and operational marketing strategies, as well as enhancing product competitiveness and profitability.

2. R&D Expenditures, Successfully Developed Technology or Product R&D Expenditure in the Current Year and as of Annual Report Printing Date:

The Company's consolidated financial statement of R&D expenditure and ratios in turnover in the recent two years as of March 31st, 2019

Unit: NT\$ thousand

Period	R&D Expenditure	Ratio in Turnover
2017	413,662	2%
2018	418,388	8%
March 31, 2019	As of the annual report printing date, the financial data for the first quarter of 2019 inspected by a CPA was not available	

3. R&D Outcome in the Current Year

Long focused on game products, mass production of self-developed games, Soft-World International Corp. is actively engaged in game music sound effect production. With mobile games becoming mainstream and the emergence of AR/VR games, demand for IP has grown increasingly larger by the day. It has been nearly 35 years since the founding of the Company had in its possession the most Chinese classic game IPs that enjoy great popularity. Whether through collaborative development (e.g. Pili Heroes) or self-development (e.g. Sakura, My Hero Go, and Warriors of Fate M) of representative reproductions with the same name as ElsWor have achieved sound market performance. In the future, the results will be expanded, and over 100 classic game IPs will be launched in Chinese markets to enable Taiwan's cultural and creative industries to once again reach new heights.

(IV) Long-term and Short-term Business Development Plans:

1. Short-term Development Plans:

A. Marketing Strategy Aspect:

- ① The channel markets of game software have become increasingly diversified. In order to ensure better channel structure systematization and efficiency, in addition to continuing to increasing channel bases, the overall channel logistic structure and approach will continue to be reviewed and improved, aiming to achieve the goal of becoming the most efficient software distributor.
- ② Strengthen cooperation with other industries through traditional physical channels and the Internet; on the other hand, through powerful and borderless network and other charismatic advocacies, the largest game information network in the Chinese world is expected to be established to serve as an important competitive weapon for product advocacy.

- ③ Marketing approaches are diverse. In addition to inviting celebrities as spokespersons, joint marketing is also carried out with beverage, network, and tourism and recreation operators.
- B. Production Policy Aspect: Strengthen communication and coordination with outsourced collaborative manufacturers to shorten production schedule and speed up new product delivery.
- C. Product Development Aspect: Input in game, art, music production, and characterized creation fields in large scales to activate IP resources.
- D. Operation Scale Aspect: Focus on the “ElsWor Transfer Mobile game” R&D strategy to enhance self-development technology and local operational strength.
- E. Financial Coordination Aspect: Construct diversified fundraising channels to reduce fundraising costs.
- 2. Long-term Development Plans
 - A. Marketing Strategy Aspect:
 - ① Evenly distribute market concentration and spread global marketing bases, so that company growth is not affected by the domestic economy.
 - ② Strengthen strategic alliances with domestic and foreign software development companies and actively expand domestic and foreign channel deployment and marketing.
 - ③ Actively develop e-commerce markets and fully engage in operations in the face of surging new network trends, in the hope of constructing the largest game software network of new channels.
 - B. Production Policy Aspect
 - ① Cultivate digital 3D art talents needed by the Company and add software and hardware for existing personnel in order to shorten product R&D schedules and reduce R&D costs.
 - ② Develop standardized and modular development tools or software components and import the concept of “software factory” in order to obtain benefits from economies of scale.
 - C. Product Development Aspect:
 - ① With active overseas market expansion as the goal and to cope with differing local language, customs, cultures, and habits, the existing products are upgraded to multi-multilingual versions, or new products that suit regional cultures are developed to achieve multi-lingual new products without cultural differences, so as to enter international markets and become mainstream in global computer game software markets.
 - ② Recruit outstanding young people from around the world to form a new game software R&D team adhering to the goal of achieving a leading status among Chinese game software developers and hoping to become a core global game software developer.
 - ③ Strengthen strategic alliances with well-known domestic and foreign game software developers and strengthen the Company’s own new product development capacity. In addition to providing outstanding self-developed game software, the Company actively seeks the dealership of outstanding products from other manufacturers in order to strengthen product depth and breadth and expand the range of choices for customers and consumers.
 - ④ Actively cooperate with other platform operators, participate in new game product development, and expand greater market opportunities.
 - ⑤ In conjunction with game technology engine cooperation and development needs, assessments on the establishment of an R&D venture company have been carried out to actively enhance game development technologies and strengthen the game R&D team lineup.
 - D. Operational Scale Aspect:
 - ① Strengthen collaboration with manufacturers in the industry, fully cooperate with advocacy plans of dealers and distributors, and search themes for developing new games on their behalf, thereby strengthening cooperation between the two sides and promote their growth.
 - ② In cooperation with the expansion of the overall business scale, undertakings from multiple sides are carried out, and game machines and entertainment media related peripheral product development is appropriately sought.
 - E. Financial Coordination Aspect:
 - ① In consideration of the costs for releasing various financial commodities, funds needed for future operation are raised at the lowest cost.
 - ② With limited funds, engage in reinvestment businesses beneficial to the overall operations.

II. Market and sales overview

(I) Market Analysis

1. Regions Selling (Providing) Major Products (Services)

Unit: NT\$ thousand

Area \ Year	2018		2017	
	Amount	%	Amount	%
Domestic sales	5,032,193	90.63	14,060,532	90.06
Asia	417,565	7.52	1,381,961	8.85
Others	102,909	1.85	169,436	1.09
Total	5,552,667	100.00	15,611,929	100.00

2. Market share, the supply/demand and growth of the market in the future

A. Market share

The Company's main distribution channel has been growing steadily in 2018. Our "MyCard" digital point provides versatile gaming and entertaining products and digital value-added service. With over 5.5 million members, we are at the top of the markets in Taiwan, Hong Kong, and Macau. Soft World is more actively expanding the platform operation and provides e-PLAY marketing promotion, APP marketing, interactive video advertising platforms, exhibition activities, and flat video multi-media for all-round integrated marketing services to become the first choice of cooperation for local and overseas game companies.

B. Future market supply and demand and the growth

The Newzoo report shows the 2018 global gaming market scale amounted to US\$137.9 billion, with portable games remaining mainstream, accounting for the ratio of 51%.



The global gaming market scale in 2019 is expected to reach US\$148.1 billion. Benefiting from promotions by emerging markets such as India, revenues from portable games are expected to once again increase substantially. At the same time, console games will also see strong growth in the year to come. However, China as the world's largest and most profitable gaming market may have limited growth due to a reduced quantity of games released. Therefore, it is expected that games console manufacturers currently preparing for the next-generation of games consoles will achieve average performance in the year to come.

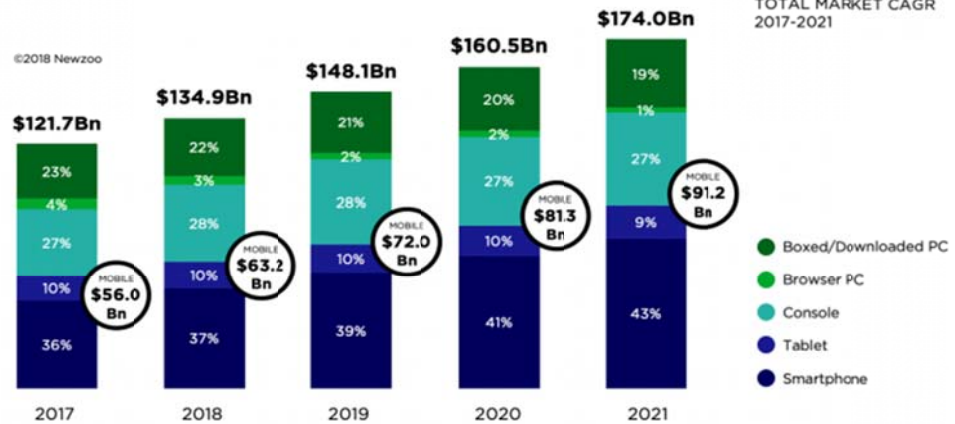


2017-2021 GLOBAL GAMES MARKET

FORECAST PER SEGMENT TOWARD 2021

+9.3%

TOTAL MARKET CAGR
2017-2021



Global game market scale (Source/Newzoo)

Boosted by living broadcast and e-sports, Newzoo believes that the gaming market will continue to expand, and the mobile game market scale, especially, is not to be underestimated. The development of mobile games has not affected PC or console game market revenues. Mobile games that emerged in 2012 had the least market ratio in the gaming industry, but they are expected to achieve rapid growth amounting to US\$174.0 billion by 2021. By then, revenues from devices, tablet PCs included, will occupy a staggering share of 52%. For PC games and games consoles, Newzoo believes that both will continue to see growth, but PC games may lag slightly behind. Boosted by e-sports development, the participation of PC games is expected to continue to grow, but only a portion of it can generate higher revenues.

3. Favorable and Unfavorable Factors of Competitive Niche and Development Outlook and Coping Strategies

A. Competitive Niche

- (1) Channel Business Part: Our “MyCard” digital point provides versatile gaming and entertaining products and digital value-added service. With over 5.5 million members, we are at the top of the markets in Taiwan, Hong Kong, and Macau. Soft World is more actively expanding the platform operation and provides e-PLAY marketing promotion, APP marketing, interactive video advertising platforms, exhibition activities, and flat video multi-media for all-round integrated marketing services to become the first choice of cooperation for local and overseas games companies.
- (2) R&D Business Part: The global game market is constantly growing and the demand for services of game arts and music production is strong. Zealot Digital International Corp. has more than 20 years of experience in game art and has solid creative ground. In recent years, it has been actively involved in the field of game art production and specializes in the production of 2D/3D characters and scenes, the action/special efficacy, and GUI interface. In 2018, it obtained large-scale art cooperation orders from 2 Korean and 4 Japanese game companies. Besides these, there are more than 10 cooperation companies in the Chinese region as well. Soft World Music Production Center also obtained the incidental music cooperation for mobile game “King of Kings 3D” from well-known Chinese game publisher, Loong Entertainment. Its creative strength is highly recognized.
- (3) All round digital advertising services are provided to expand the service scope. In response to enterprises’ globalized business needs, the marketing focus has shifted from traditional media to digital new media. Optimistic about Taiwan’s digital advertising market growth and demand, Soft-World International Corp. has entered the digital advertising field in recent years. Its subsidiary EFUN International and READ Media Corporation have one after another acquired advertising dealers officially certified by Google, Facebook, and Yahoo to provide professional marketing consultancy, art multimedia production, advertising technology platforms, and big data analysis services to provide advertisers with accurate digital advertising and business marketing strategic services, thereby jointly creating the opportunity to succeed.
- (4) In addition to continuing to strive to expand the existing collections and payment transfer business, the financial technology business groups under Soft-World International Corp. will launch a focal service “ezAIO easy collection” smart payment platform system, integrate electronic payment, mobile payment, e-tickets, and various payments through acquirer banks. In addition, combining store account inquiries and TMS end-of-line management, diverse payment management platforms of physical stores are provided, while “ezPay easy pay” e-wallet will also be introduced to substantively open-up offline channels, develop diverse payment gateway applications, and promote market economy scale and member growth.

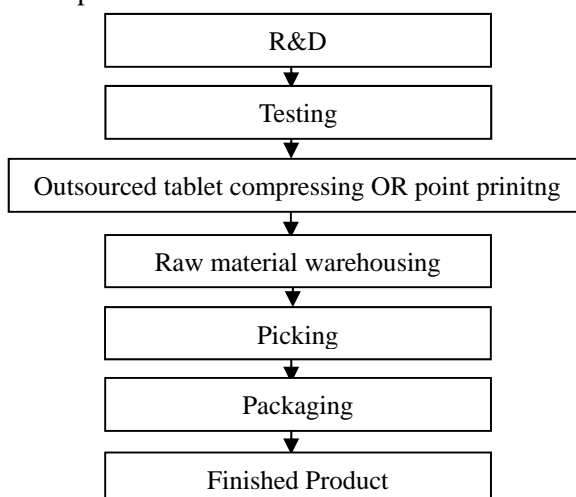
(II) Important Uses and Production Processes of Major Products

1. Important Uses of Major Products

Computer Game Software: Serve leisure, puzzle solving, inspiration, and entertainment purposes and provide consumers with another lively and vivid interactive guided reading channel with Chinese culture themes.

2. Production Process:

A. Production Process of Computer Games Software



(III) Main Raw Material Supply Status

Item	Manufacturer Name	Remark
CD	Bokuan Industrial	Sound supply status and stable sources of goods
Paper	Pingcheng, Kingstate Electronics Corporation	Sound cooperation time and quality and timely delivery to printing press.

(IV) Names of customers with more than 10% goods purchases (sale) in one of the recent two years, purchase (sale) amounts and ratios**1. Purchase: Data of major suppliers in the recent two years** Unit: NT\$ thousand; %

	2017				2018			
Item	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net purchase of the year (%)	Relationship with the issuer
1					C	428,865	17.50	None
2					D	377,661	15.41	None
3					E	246,039	10.04	None
	Others	11,935,437	100.00		Others	1,398,752	57.05	
	Net purchase	11,935,437	100.00		Net purchase	2,451,317	100.00	

Note: List of supplier names accounting for more than 10% of total purchase amount in the recent two years and purchase amounts and ratios

The above purchase manufacturers are mainly mobile game and ElsWors manufacturers, and the suppliers are subject to change with the Company's product diversity. In accordance with the contract provisions, Customers C~E are not to have their names disclosed customers' names and non-conglomerates and are thus represented by codes.

According to IFRS15 Standards, the revenue recognition amount of the Company's MyCard business dealership is in nature. Thus, beginning 2018, the applicable accounting principle for revenue recognition will switch from total amount to net amount recognition.

2. Sale: Data of major sale clients in the recent two years Unit: NT\$ thousand; %

	2017				2018			
Item	Name	Amount	Percentage of the net sale of the year (%)	Relationship with the issuer	Name	Amount	Percentage of the net sale of the year (%)	Relationship with the issuer
1	A	4,457,622	28.55	None				
2	B	1,669,556	10.70	None				
	Others	9,484,751	60.75		Others	5,552,667	100.00	
	Net sale	15,611,929	100.00		Net sale	5,552,667	100.00	

Note: List of customer names accounting for more than 10% of total sale in the recent two years and sale amounts and ratios. However, according to the contract provisions, customer names or traded targets that are individuals rather than interested parties are not to be disclosed and thus are represented by codes.

The above sale customer mostly refers to the Company's dealer and distributors. According to the contract provisions, the names of Customers A~B that are non-conglomerates are not to be disclosed and thus are represented by codes.

According to IFRS15 Standards, the revenue recognition amount of the Company's MyCard business dealership is in nature. Thus, beginning 2018, the applicable accounting principle for revenue recognition will switch from total amount to net amount recognition.

(V) The production volume and value of the last two years:

Unit: NT\$ thousand/set:

Year Production volume and value Main Products	2018			2017		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Game software and magazines	-	173	15,157	-	213	13,576
Others	-	299	4,378	-	366	3,821
Total	-	472	19,535	-	579	17,397

Note 1: Capacity refers to the production quantity using existing production equipment operated normally, taking into account necessary stoppages, holidays, etc. The main processes of the Company's main products are outsourced processing and manufacture, and thus capacity is not applicable.

Note 2: Capacity refers to the quantity of semi-finished products processed and packaged by the Company's production department.

(VI) Sales volume and value in the last two years:

Unit: NT\$ thousand

Year Sales volume and value Main Products	2018				2017			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Game software and magazines	-	1,986,362	-	263,461	-	12,957,817	-	1,498,747
Others	-	3,045,831	-	257,013	-	1,102,715	-	52,650
Total	-	5,032,193	-	520,474	-	14,060,532	-	1,551,397

III. The number of employees, average years of service, average age, and academic background in the last 2 years up till the publication date of this annual report

Year		2017	2018	As of March 31, 2019
Number of employees	R&D	395	399	388
	General staff	659	718	722
	Production staff	36	36	36
	Total	1,090	1,153	1,146
Average age		34.51	34.32	34.96
Average Years of Service		6.37	6.21	6.45
Distributions by Education (%)	Doctoral Degree	0.09%	0.09%	0.17%
	Master	6.88%	6.49%	6.21%
	College	79.18%	80.19%	80.61%
	Senior High School	12.93%	12.55%	12.30%
	Below Senior High School	0.92%	0.68%	0.71%

IV. Environmental Protection Expenditure:

- (1) Losses (including compensations) incurred due to environmental pollution and total penalty amount and future coping strategies and possible expenditures in the current year and as of the annual report printing date: None.
- (2) Description of application, claim, payment, or setup situation of applicants of a pollutant facility setup permit or a pollutant discharge permit, or those required to render pollution control and prevention fees or those required to designate dedicated environmental protection personnel in accordance with regulatory provisions: None.
- (3) Investment in major equipment for environmental pollution prevention and control and uses and possible benefits: The Company falls under a pollutant-free industry and has no investment needed for environmental pollution prevention and control.
- (4) The course of the Company's environmental pollution improvement, those involved in pollution event related disputes, and description of handling in the two recent years as of the annual report printing date: The company has not been involved in pollution event related disputes.
- (5) Description of current pollution situation, improvement and impacts on company revenues, competitive status, and capital expenditures and expected major environmental protection capital expenditures in the next two years: No major capital expenditures required for environmental protection have been incurred.

V. Employer and employee relationships:

- (1) The Company's staff welfare measures, education, training, retirement system and implementation, labor agreement, staff welfare maintenance measures:
 1. Welfare Measures
 - (1) Cash Gifts: Birthday cash gift, Dragon Boat Festival cash gift, Mid-autumn Festival cash gift, Christmas cash gift, labor cash gift, wedding/funeral cash gift, maternity allowance, quarterly gathering allowance, department travel allowance, cultural and art activity allowance.
 - (2) Insurance and retirement: The company employees are all insured with Labor Insurance, National Health Insurance, and Group Insurance. Retirement pension is distributed every month as provisioned.
 - (3) Medical Insurance: Employee Group Insurance, regular health checkups every year, contract medical institutions.
 - (4) Facilities: Staff restaurant, employee rest area, car/motorbike parking spaces, contract business hotels.
 - (5) Other welfare: Comprehensive promotion channels, year-end bonuses distributed according to operating status, performance bonuses, spring holiday raffle draws, new year gifts, subsidies for education of employees' children.
 2. Employee Education and Training System:

Encourage employees for further education to enhance knowledge, enhance overall staff quality and business performance, and cultivate relevant R&D and operational management talents.

- (1) External training: Designate employees according to work needs and participate in professional courses commenced by education training institutions and governmental agencies.
- (2) System Skill Training: The Company's information system is imported to conduct advocacy and skill training courses targeting system use staff.
- (3) Professional Skill Training: In order to enhance overall strength, encourage employees to participate in professional skill training courses.

Items in 2018	Number of participants	Total training hours
Commenced by the Company-Incoming Employee Training	173	346
Commenced by the Company-Workplace Safety and Health	173	519
Commenced by an External Institution-External Training Courses	27	212
Total	373	1,077

3. Retirement System and Implementation Situation:

Applicable for the pension system in the Labor Pension Act and the finalized Guidelines for Retirement Allocation, 6% of the employee's monthly salary is allocated as pension to the employee's personal account under the Bureau of Labor Insurance, Ministry of Labor.

Applicable for the pension system in the Labor Pension Act and the finalized Guidelines for Retirement Allocation, employee pension is paid according to the number of working years and the average salary (base) six months before retirement. The Company allocates 2% of the total employee monthly salary as employee retirement fund, which is rendered to the Labor Retirement Reserves Supervision Committee who will deposit the fund in the name of the Committee to designated Bank of Taiwan accounts.

4. Labor Agreement Situation:

The Company attaches great importance to employees' rights and harmonious labor relations and values employees' opinions. Employees may directly communicate with Human Resources Department or senior supervisors concerned through the employee comment mailbox and sexual harassment complaint mailbox in order to maintain good relations. So far, no major labor disputes have occurred.

5. Various Employee Rights Maintenance Measures:

The Company abides by the government's laws and regulations and maintains related employee rights and provides consultancy and aid to employees in need.

(1) Work Environment Protection Measures

- A. Regularly disinfect, monitor, and manage office environment, air, and water quality to maintain a sound work environment.
- B. A number of dedicated cleaning personnel provide a clean and comfortable work environment.
- C. Implement 24-hour work environment monitoring to provide a safe work environment.
- D. Set up a complete firefighting system according to firefighting provisions.

(2) Personal Safety Protection Measures

- A. Regularly provide health checkups to safeguard employees' health.
- B. Insured with Labor Insurance, National Health Insurance, and Group Insurance, employees are provided with more protection.
- C. Establish an internal complaint mechanism and prohibit workplace violence.

- (II) Losses incurred from labor disputes and disclosure of possible current and future estimated amounts and coping measures: None.

VI. Major contracts: None.

VI. Financial Status

I. Summary balance sheet and comprehensive income statement for the last 5 years:

(I) Information of condensed statements of financial positions and statement of comprehensive income--IFRS

1. Brief Consolidated Balance Sheet- IAS

Unit: NT thousand

Item	Year	Financial information from the past five years (Note)					Current year financial information up to March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		9,576,930	9,044,015	9,901,376	10,158,265	10,780,940	No related information. (Note 4)
Property, plant, and equipment (Note 2)		266,514	261,531	392,946	390,129	423,285	
Intangible assets		151,374	105,107	38,062	127,709	518,941	
Other assets (Note 2)		743,147	930,593	968,506	631,283	672,527	
Total assets		10,737,965	10,341,246	11,300,890	11,307,386	12,395,693	
Current liabilities	Before Distribution	4,301,838	3,925,882	4,702,424	4,781,359	5,483,499	
	After Distribution	4,008,647	3,734,671	4,447,475	4,526,410	(Note 3)	
Non-current liabilities		110,729	116,487	119,771	107,086	162,472	
Total liabilities	Before Distribution	4,412,567	4,042,369	4,822,195	4,888,445	5,645,971	
	After Distribution	4,119,376	3,851,158	4,567,246	4,633,496	(Note 3)	
Equity of the parent company		5,318,593	5,438,465	5,697,077	5,673,225	5,670,266	
Capital stock		1,274,743	1,274,743	1,274,743	1,274,743	1,274,743	
Capital surplus		1,522,704	1,521,183	1,521,190	1,529,865	1,744,934	
Retained earnings	Before Distribution	2,338,228	2,349,906	2,573,165	2,735,203	2,936,814	
	After Distribution	2,045,037	2,158,695	2,318,216	2,480,254	(Note 3)	
Other equity		182,918	292,633	327,979	133,414	163,078	
Treasury stock		0	0	0	0	(449,303)	
Non-controlling interest		1,006,805	860,412	781,618	745,716	1,079,456	
Total equity	Before Distribution	6,325,398	6,298,877	6,478,695	6,418,941	6,749,722	
	After Distribution	6,032,207	6,107,666	6,223,746	6,163,992	(Note 3)	

Note 1: The financial statements of every fiscal year have been audited and reviewed by Deloitte Taiwan.

Note 2: After a revaluation, disclose the date of revaluation and the revaluation gain amount.

Note 3: The proposal on 2018 net earnings distribution is pending resolution by AGM.

Note 4: As of the date on which the annual report was printed, there was not financial data for 2019Q1 that has been audited by CPAs.

2. Condensed Consolidated Statement of Comprehensive Income -IFRS

(expressed in NT\$ thousands, except for EPS at NT\$1/share)

Item \ Year	Financial information from the past five years (Note)					Current year financial information up to March 31, 2019
	2014	2015	2016	2017	2018	
Operating revenue	14,994,377	14,790,974	15,541,915	15,611,929	5,552,667	No related information. (Note 2)
Gross profit	3,788,842	3,024,774	2,923,359	2,703,321	3,101,350	
Operating gains and losses	483,613	234,590	311,625	411,494	585,826	
Non-operating revenues and expenses	102,077	67,456	155,198	82,053	67,054	
Net profit before taxation	585,690	302,046	466,823	493,547	652,880	
Business units in continuing operation	436,429	153,892	367,573	367,278	472,019	
Net income						
gain(loss) from discontinued operations	0	0	0	0	0	
Net income	436,429	153,892	367,573	367,278	472,019	
Other comprehensive income for the period (post-tax profit or loss)	190,005	105,637	20,415	(190,042)	28,011	
Cumulative Comprehensive Income in current period	626,434	259,529	387,988	177,236	500,030	
Net profit attributable to parent company	520,555	308,724	420,962	417,558	461,322	
Net profit (loss) attributable to non-controlling interest	(84,126)	(154,832)	(53,389)	(50,280)	10,697	
Total comprehensive income attributable to owners of the parent company	707,049	414,584	449,816	222,422	486,224	
Comprehensive income, gross, attributable to non-controlling interest	(80,615)	(155,055)	(61,828)	(45,186)	13,806	
Earnings per share	4.09	2.42	3.30	3.28	3.70	

* The Company has prepared individual financial statement; therefore, the below condensed individual balance sheets and Income Statement within five years are provided otherwise.

* The financial information adopting International Financial Reporting Standards is not over 5 years; therefore, the below table (2) of financial information adopting Taiwan financial reporting standards is provided otherwise.

Note 1: The financial statements of every fiscal year have been audited and reviewed by Deloitte Taiwan.

2: As of the date on which the annual report was printed, there was not financial data for 2019Q1 that has been audited by CPAs.

(II) Condensed individual statement of financial position and statement of comprehensive income-IFRS

1. Brief Individual Balance Sheet- IAS

Unit: NT thousand

Year Item		Financial information from the past five years (Note)					Current year financial information up to March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		5,412,182	5,191,297	5,859,514	5,914,722	6,075,148	We adopt IFRS without producing the individual financial statements for Q1. This indicator is thus not applicable.
Property, plant, and equipment		208,848	208,070	348,327	354,512	351,923	
Intangible assets		6,741	6,142	4,038	3,319	27,151	
Other assets		3,485,918	3,611,984	3,836,632	3,425,263	3,387,784	
Total assets		9,113,689	9,017,493	10,048,511	9,697,816	9,842,006	
Current Liabilities	Before Distribution	3,687,035	3,472,552	4,242,292	6,075,148	4,063,128	
	After Distribution	3,393,844	3,281,341	3,987,343	3,669,637	(Note 2)	
Non-current liabilities		108,061	106,476	109,142	100,005	108,612	
Liabilities	Before Distribution	3,795,096	3,579,028	4,351,434	4,024,591	4,171,740	
	After Distribution	3,501,905	3,387,817	4,096,485	3,769,642	(Note 2)	
Capital stock		1,274,743	1,274,743	1,274,743	1,274,743	1,274,743	
Capital surplus		1,522,704	1,521,183	1,521,190	1,529,865	1,744,934	
Retained earnings	Before Distribution	2,338,228	2,349,906	2,573,165	2,735,203	2,936,814	
	After Distribution	2,045,037	2,158,695	2,318,216	2,480,254	(Note 2)	
Other equity		182,918	292,663	327,979	133,414	163,078	
Treasury stock		0	0	0	0	(449,303)	
Total equity	Before Distribution	5,318,593	5,438,465	5,697,077	5,673,225	5,670,266	
	After Distribution	5,025,402	5,247,254	5,442,128	5,418,276	(Note 2)	

Note 1: The financial statements of every fiscal year have been audited and audited by Deloitte Taiwan.

Note 2: The proposal on 2018 net earnings distribution is pending resolution by AGM.

2. Brief Individual Income Statement- IAS

(expressed in NT\$ thousands, except for EPS at NT\$1/share)

Item \ Year	Financial information for the latest 5 years (Note 1)					Current year financial information up to March 31, 2019
	2014	2015	2016	2017	2018	
Operating revenue	13,659,425	13,229,204	14,123,658	14,425,722	2,402,463	We adopt IFRS without producing the individual financial statements for Q1. This indicator is thus not applicable.
Gross profit	2,414,310	1,976,694	1,979,922	1,927,353	1,993,919	
Operating gains and losses	621,469	566,619	350,231	512,193	522,683	
Non-operating revenues and expenses	3,394	(140,989)	153,766	4,429	65,394	
Net profit before taxation	624,863	425,630	503,997	516,622	588,077	
Current year profit of continuing business units	520,555	308,724	420,962	417,558	461,322	
gain(loss) from discontinued operations	0	0	0	0	0	
Net income	520,555	308,724	420,962	417,558	461,322	
Other comprehensive income for the period (post-tax profit or loss)	186,494	105,860	28,854	(195,136)	24,902	
Current period other comprehensive income (Gross)	707,049	414,584	449,816	222,422	486,224	
Earnings per share	4.09	2.42	3.30	3.28	3.70	

Note 1: The financial statements of every fiscal year have been audited and audited by Deloitte Taiwan.

(III) Condense balance sheets and statements of income - The ROC Financial Accounting Standards:

We adopted IFRS in 2013, and this indicator is thus not applicable.

(IV) Names of financial statement auditors in the last 5 years, and their audit opinions:

Year	Firm Name	Name of auditor	Opinion
2014	Deloitte & Touche	Qiu-yan Wu and Jia-ling Jiang	Unqualified opinion
2015	Deloitte & Touche	Qiu-yan Wu and Jia-ling Jiang	Unqualified opinion
2016	Deloitte & Touche	Qiu-yan Wu and Jia-ling Jiang	Unqualified opinion
2017	Deloitte & Touche	Qiu-yan Wu and Jia-ling Jiang	Unqualified opinion
2018	Deloitte & Touche	Qiu-yan Wu and Jia-ling Jiang	Unqualified opinion

II. Financial analysis for the latest 5 years:

(I) Consolidated Financial analysis - The ROC Financial Accounting Standards:

Analytical items \ Year		Financial Analysis for the most recent five years					As of March 31, 2019
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt to assets ratio	41.09	39.09	42.67	43.23	45.55	No related information (note 7)
	Ratio of long-term capital to property, plant and equipment	2,414.93	2,453.00	1,679.23	1,672.79	1,632.99	
Solvency (%)	Current ratio	222.62	230.37	210.56	212.46	196.61	
	Liquid ratio	215.34	223.65	206.81	209.53	191.61	
	Interest coverage ratio	4,841.41	0	0	0	238.00	
Operating ability	Account receivable turnover (times)	6.25	5.97	6.21	6.43	16.44	
	Days sales in account receivable	58	61	59	57	22	
	Inventory turnover (times)	110.26	97.95	118.86	187.03	47.87	
	Account payable turnover (times)	5.96	6.10	5.98	5.45	1.81	
	Average days in sales	3	4	3	2	8	
	Rate of real estate, plant buildings and equipment turnover (times)	53.37	56.02	47.49	39.87	13.65	
	Total assets turnover (times)	1.47	1.40	1.44	1.38	0.47	
Profitability	ROA (%)	4.29	1.46	3.40	3.25	4.00	
	ROE (%)	7.18	2.44	5.75	5.70	7.17	
	Percentage of net profit before tax to the paid-in capital (%)	45.95	23.69	36.62	38.72	51.22	
	Net profit rate (%)	2.91	1.04	2.37	2.35	8.50	
	Earnings per share (NTD)	4.09	2.42	3.30	3.28	3.70	
Cash flow (%)	Cash flow ratio (%)	27.46	4.61	27.61	18.05	18.68	
	Cash flow adequacy ratio (%)	199.36	141.65	167.89	181.56	206.32	
	Cash flow reinvestment ratio (%)	14.72	(1.88)	18.16	9.79	12.54	
Leverage	Operating leverage	1.80	2.35	3.43	2.88	2.08	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

Please describe the reasons for the changes in the financial ratios over the last two years (Effort for analysis may be dispensed with in case of increase/decrease change is below 20%)

1. The times interest earned: as a result of the interest expense from the loans raised in 2018.
2. The average collection turnover (times): after recognizing the income of MyCard as net revenue in accordance with IFRS 15 and adjusting the receivables of MyCard produced in accordance to IAS 18 to other receivables in accordance with IFRS 15.
3. The average collection days increased as the average receivable turnover (times) reduced in accordance with IFRS 15.
4. The average inventory turnover (times): as the operating cost reduced after recognizing the income of MyCard as net revenue in accordance with IFRS 15.
5. The average payable turnover (times): as the sales cost and payables reduced after changing the nature of MyCard into an agent.
6. The average inventory turnover days increased as the average payable turnover reduced.
7. The PP&E turnover (times): as the operating income reduced after recognizing the income of MyCard as net revenue in accordance with IFRS 15.
8. The total assets turnover (times): as the operating income reduced after recognizing the income of MyCard as net revenue in accordance with IFRS 15.
9. ROA (%): as the 2018 net revenue increased.
10. ROE (%): as the 2018 net revenue increased.

11. The profit before tax to capital stock (%): as the 2018 net revenue increased.
12. The net profit rate (%): as the 2018 net revenue increased.
13. The cash reinvestment ratio (%): as the net operating cash flow increased.
14. The operation leverage: as the operating income reduced after recognizing the income of MyCard as net revenue in accordance with IFRS 15.

The Company has prepared individual financial statement; therefore, the below financial ratios analysis is provided otherwise.

Note 1: The financial reports for each year were audited by the CPAs.

Note 2: If available, disclose and analyze the financial data certified or reviewed by a CPA in the previous period of a listed company or its shares traded at a securities company by the date of publication of this report.

Note 3: The following equation shall be identified at the end of the annual report:

1. Financial structure

(1) Liabilities to total assets = Total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets — inventories — prepaid expense) / current liabilities

(3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating ability

(1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = Net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance

(2) Days sales in account receivable = 365 / Account receivable turnover (times)

(3) Inventory turnover (times) = Cost of goods sold / average inventory amount

(4) Payable (including accounts payable and notes payable arising from business operation) Turnover = Cost of goods sold / Average payable (including accounts payable and notes payable arising from business operation) balance

(5) Average days in sales = 365 / Inventory turnover (times)

(6) Property, plant, and equipment turnover (times) = Net sales / Net average property, plant, and equipment

(7) Total assets turnover (times) = Net sales / Average total assets

4. Profitability

(1) Return on assets = (after tax net profit + interest expenses x (1 - tax rate)) / average asset balance.

(2) Return on shareholders' equity = after tax net profit / total average equity.

(3) Profit ratio = net income / net sales

(4) Earnings per share = (profits or loss attributable to owners of the parent company — preferred stock dividend) / weighted average stock shares issued (Note 4)

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years

(3) Cash re-investment ratio = (net cash flow from operating activity — cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital) (Note 5)

6. Leverage:

(1) Operating leverage = (Net operating income - Changes in operating cost and expense) / Operating profit (Note 6)

(2) Financial leverage = Operating profit / (Operating profit - interest expense)

Note 4: The calculation of earnings per share in the preceding paragraph should be with the following matters taken into consideration for measurement:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual EARNINGS PER SHARE of the year. The period for the release of such new shares may be omitted.
4. If the prefer stock is inconvertible cumulative preferred stock, the current stock divided (regardless distributed or not) should be deducted from the net income or added to the net loss. If the prefer stock is not cumulative, the current stock divided should be deducted from the net income, if any, but without the need of making any adjustment if there is net loss instead of net income.

Note 5: Consider the followings in conducting cash flow analysis:

1. Net cash flow from operation refers to net cash inflow from operation as stated in the Statement of Cash Flow.
2. Capital spending refers to the cash outflow to annual capital investments.
3. Increase in inventory will be counted only when the ending inventory amount exceeding the beginning inventory amount. The decrease in inventory at yearend will be treated as zero change.
4. Cash Dividends includes the dividends in cash paid to holders of common shares and preferred shares.
5. The gross property, plant, and equipment refer to the total amount of property, plant, and equipment before deducting the accumulated depreciation.

Note 6: The issuer should have the operating cost and operating expense classified as fixed and variable by the nature of operation. If it involves estimates or subjective judgments made, please pay attention to its rationality and consistency.

Note 7: As of the date on which the annual report was printed, there was not financial data for 2019Q1 that has been audited by CPAs.

(II) Individual Financial analysis - The ROC Financial Accounting Standards:

Analytical items		Year	Financial Analysis for the most recent five years					As of March 31, 2019	
		2014	2015	2016	2017	2018			
Financial structure (%)	Debt to assets ratio	41.64	39.69	43.30	41.50	42.39	We adopt IFRS without producing the individual financial statements for Q1. This indicator is thus not applicable.		
	Ratio of long-term capital to property, plant and equipment	2,598.37	2,664.94	1,666.89	1,628.50	1,640.61			
Solvency (%)	Current ratio	146.79	149.50	138.12	150.71	149.69			
	Liquid ratio	144.52	147.17	136.93	148.46	149			
	Interest coverage ratio	0	0	0	0	0			
Operating ability	Account receivable turnover (times)	6.21	5.89	6.13	6.36	18.33			
	Days sales in account receivable	59	62	59.54	57	20			
	Inventory turnover (times)	129.64	136.95	191.30	310.47	7.69			
	Account payable turnover (times)	5.54	5.46	5.24	4.84	0.29			
	Average days in sales	3	3	2	1	47			
	Rate of real estate, plant buildings and equipment turnover (times)	63.67	63.46	50.81	41.06	7			
	Total assets turnover (times)	1.6	1.46	1.48	1.46	0.25			
Profitability	ROA (%)	6.1	3.41	4.42	4.23	4.72			
	ROE (%)	10.31	5.74	7.56	7.34	8.13			
	Percentage of net profit before tax to the paid-in capital (%)	49.02	33.39	39.54	40.53	46.13			
	Net profit rate (%)	3.81	2.33	2.98	2.89	19.07			
	Earnings per share (NTD)	4.09	2.42	3.30	3.28	3.70			
Cash flow (%)	Cash flow ratio (%)	29.31	16.49	22.66	14.25	17.76			
	Cash flow adequacy ratio (%)	140.92	143.74	151.52	151.98	141.94			
	Cash flow reinvestment ratio (%)	16.52	5.36	14.34	5.53	8.58			
Leverage	Operating leverage	1.8	2.35	3.43	2.88	2.08			
	Financial leverage	1	1	1	1	1			
Please describe the reasons for the changes in the financial ratios over the last two years (Effort for analysis may be dispensed with in case of increase/decrease change is below 20%)									
1. The average collection turnover (times): after recognizing the income of MyCard as net revenue in accordance with IFRS 15 and adjusting the receivables of MyCard produced in accordance to IAS 18 to other receivables in accordance with IFRS 15.									
2. The average collection days: increased as the average receivable turnover (times) reduced in accordance with IFRS 15.									
3. The average inventory turnover (times): as the operating cost reduced after recognizing the income of MyCard as net revenue in accordance with IFRS 15.									
4. The average payable turnover (times): as the sales cost and payables reduced after changing the nature of MyCard into an agent.									
5. The average inventory turnover days increased as the average payable turnover reduced.									
6. The PP&E turnover (times): as the operating income reduced after recognizing the income of MyCard as net revenue in accordance with IFRS 15.									
7. The total assets turnover (times): as the operating income reduced after recognizing the income of MyCard as net revenue in accordance with IFRS 15.									
8. The net profit rate (%): as the 2018 net revenue increased.									
9. The cash reinvestment ratio (%): as the net operating cash flow increased.									
10. The cash reinvestment ratio (%): as the net operating cash flow increased.									
11. The operation leverage: as the operating income reduced after recognizing the income of MyCard as net revenue in accordance with IFRS 15.									

Note 1: The individual financial statements of all years have been certified by CPAs.

Note 2: If available, disclose and analyze the financial data certified or reviewed by a CPA in the previous period of a listed company

or its shares traded at a securities company by the date of publication of this report.

Note 3: The following equation shall be identified at the end of the annual report:

1. Financial structure
 - (1) Liabilities to total assets = Total liabilities / total assets.
 - (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets — inventories — prepaid expense) / current liabilities
 - (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating ability
 - (1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = Net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance
 - (2) Days sales in account receivable = 365 / Account receivable turnover (times)
 - (3) Inventory turnover (times) = Cost of goods sold / average inventory amount
 - (4) Payable (including accounts payable and notes payable arising from business operation) Turnover = Cost of goods sold / Average payable (including accounts payable and notes payable arising from business operation) balance
 - (5) Average days in sales = 365 / Inventory turnover (times)
 - (6) Property, plant, and equipment turnover (times) = Net sales / Net average property, plant, and equipment
 - (7) Total assets turnover (times) = Net sales / Average total assets
4. Profitability
 - (1) Return on assets = (after tax net profit + interest expenses x (1 - tax rate)) / average asset balance.
 - (2) Return on shareholders' equity = after tax net profit / total average equity.
 - (3) Profit ratio = net income / net sales
 - (4) Earnings per share = (profits or loss attributable to owners of the parent company — preferred stock dividend) / weighted average stock shares issued (Note 4)
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years
 - (3) Cash re-investment ratio = (net cash flow from operating activity — cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital) (Note 5)
6. Leverage:
 - (1) Operating leverage = (Net operating income - Changes in operating cost and expense) / Operating profit (Note 6)
 - (2) Financial leverage = Operating profit / (Operating profit - interest expense)

Note 4: The calculation of earnings per share in the preceding paragraph should be with the following matters taken into consideration for measurement:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual EARNINGS PER SHARE of the year. The period for the release of such new shares may be omitted.
4. If the prefer stock is inconvertible cumulative preferred stock, the current stock dividend (regardless distributed or not) should be deducted from the net income or added to the net loss. If the prefer stock is not cumulative, the current stock dividend should be deducted from the net income, if any, but without the need of making any adjustment if there is net loss instead of net income.

Note 5: Consider the followings in conducting cash flow analysis:

1. Net cash flow from operation refers to net cash inflow from operation as stated in the Statement of Cash Flow.
2. Capital spending refers to the cash outflow to annual capital investments.
3. Increase in inventory will be counted only when the ending inventory amount exceeding the beginning inventory amount. The decrease in inventory at yearend will be treated as zero change.
4. Cash Dividends includes the dividends in cash paid to holders of common shares and preferred shares.
5. The gross property, plant, and equipment refer to the total amount of property, plant, and equipment before deducting the accumulated depreciation.

(III) Financial analysis - Taiwan financial reporting standards:

We adopted IFRS in 2013, and this indicator is thus not applicable.

III. Supervisor's report on the review of the latest financial reports:

Soft-World International Corporation
Supervisors' Review Report

The 2018 individual financial statements and consolidated financial statements made by the BOD have been audited by Deloitte Taiwan. The audit report issued by Deloitte Taiwan and the business report and earnings distribution proposal have been submitted to the supervisor for audit. As there was no nonconformance found against Article 219 of the Company Act, the report is presented as above.

Please review the information.

To:
2019 Annual General Meeting

Supervisor: CHIEN, CHIN-CHENG
Supervisor: CHANG, HUNG-YUAN

March 21, 2019

Soft-World International Corporation Supervisors' Review Report

The 2018 individual financial statements and consolidated financial statements made by the BOD have been audited by Deloitte Taiwan. The audit report issued by Deloitte Taiwan and the business report and earnings distribution proposal have been submitted to the supervisor for audit. As there was no nonconformance found against Article 219 of the Company Act, the report is presented as above.

Please review the information.

To:
2019 Annual General Meeting

Supervisor: CHIEN, CHIN-CHENG
Supervisor: CHANG, HUNG-YUAN

March 21, 2019

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 Newweb Technologies Co., Ltd. (Newweb 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 Newweb 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	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 5,054,401	41	\$ 4,805,007	43
Notes receivable (Notes 4, 5 and 7)	8,160	-	41,350	-
Accounts receivable, net (Notes 4, 5 and 7)	420,001	3	2,217,795	20
Accounts receivable - related parties (Notes 4, 5, 7 and 32)	1,206	-	30,705	-
Other receivables (Notes 4, 7 and 32)	2,033,248	16	23,885	-
Current tax assets (Note 26)	1,045	-	10,269	-
Inventories (Notes 4 and 8)	39,644	-	62,768	1
Prepayments for royalty (Note 4)	76,503	1	77,125	1
Other financial assets - current (Notes 9 and 33)	2,962,060	24	2,725,815	24
Other current assets	<u>184,672</u>	<u>2</u>	<u>163,546</u>	<u>1</u>
Total current assets	<u>10,780,940</u>	<u>87</u>	<u>10,158,265</u>	<u>90</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Note 10)	464,405	4	-	-
Available-for-sale financial assets - noncurrent (Notes 4 and 11)	-	-	368,360	3
Financial assets measured at cost - noncurrent (Notes 4 and 12)	-	-	45,500	-
Investments accounted for using the equity method (Notes 4 and 14)	55,778	1	75,981	1
Property, plant and equipment (Notes 4, 15 and 33)	423,285	3	390,129	4
Investment properties (Notes 4 and 16)	50,625	-	54,346	1
Goodwill (Note 4)	457,621	4	104,398	1
Other intangible assets (Notes 4 and 17)	61,320	1	23,311	-
Deferred tax assets (Notes 4, 5 and 26)	52,170	-	45,078	-
Prepayments for equipment	761	-	-	-
Refundable deposits	15,572	-	11,730	-
Prepayments for long-term investments	-	-	2,502	-
Net defined benefit assets (Notes 4 and 22)	18,653	-	17,575	-
Other financial assets - noncurrent (Notes 9 and 33)	11,005	-	7,640	-
Other noncurrent assets	<u>3,558</u>	<u>-</u>	<u>2,571</u>	<u>-</u>
Total noncurrent assets	<u>1,614,753</u>	<u>13</u>	<u>1,149,121</u>	<u>10</u>
TOTAL	<u>\$ 12,395,693</u>	<u>100</u>	<u>\$ 11,307,386</u>	<u>100</u>

LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 33)	\$ 105,059	1	\$ -	-
Contract liabilities - current (Note 24)	327,692	3	-	-
Notes payable (Note 19)	17,026	-	31,128	-
Notes payable - related parties (Notes 19 and 32)	6,137	-	7,438	-
Accounts payable (Note 19)	318,317	3	2,364,151	21
Accounts payable - related parties (Notes 19 and 32)	3,351	-	5,095	-
Other payables (Notes 20, 22 and 32)	3,154,632	25	760,049	7
Current tax liabilities (Notes 4 and 26)	96,958	1	75,896	1
Provisions - current (Note 4)	-	-	1,890	-
Other financial liabilities - current (Notes 3, 4 and 21)	1,414,588	11	-	-
Deferred revenue - current (Notes 3, 4 and 21)	-	-	1,065,063	9
Other current liabilities (Notes 3 and 21)	<u>39,739</u>	<u>-</u>	<u>470,649</u>	<u>4</u>
Total current liabilities	<u>5,483,499</u>	<u>44</u>	<u>4,781,359</u>	<u>42</u>
NONCURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 26)	27,349	-	18,357	-
Net defined benefit liabilities (Notes 4 and 22)	91,097	1	84,184	1
Guarantee deposits received	44,026	1	2,545	-
Other noncurrent liabilities (Note 9)	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Total noncurrent liabilities	<u>162,472</u>	<u>2</u>	<u>107,086</u>	<u>1</u>
Total liabilities	<u>5,645,971</u>	<u>46</u>	<u>4,888,445</u>	<u>43</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)				
Share capital	<u>1,274,743</u>	<u>10</u>	<u>1,274,743</u>	<u>11</u>
Capital surplus	<u>1,744,934</u>	<u>14</u>	<u>1,529,865</u>	<u>14</u>
Retained earnings				
Legal reserve	930,645	8	888,889	8
Special reserve	25,117	-	25,117	-
Unappropriated earnings	<u>1,981,052</u>	<u>16</u>	<u>1,821,197</u>	<u>16</u>
Total retained earnings	<u>2,936,814</u>	<u>24</u>	<u>2,735,203</u>	<u>24</u>
Other equity	<u>163,078</u>	<u>1</u>	<u>133,414</u>	<u>1</u>
Treasury shares	<u>(449,303)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the corporation	5,670,266	46	5,673,225	50
NON-CONTROLLING INTERESTS (Note 23)	<u>1,079,456</u>	<u>8</u>	<u>745,716</u>	<u>7</u>
Total equity	<u>6,749,722</u>	<u>54</u>	<u>6,418,941</u>	<u>57</u>
TOTAL	<u>\$ 12,395,693</u>	<u>100</u>	<u>\$ 11,307,386</u>	<u>100</u>

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												
	Retained Earnings					Other Equity			Subtotal	Treasury shares	Total	Non-controlling Interests	Total Equity
						Exchange Differences on Translating	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain on Financial Assets at Fair Value Through Other					
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Comprehensive Income	Subtotal	Treasury shares	Total	Non-controlling Interests	Total Equity
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)													
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)													
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	1,024,125	862,944

(Continued)

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	Reclassifi- cations	Remea- surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI							
Reclassification from available-for-sale (IAS39)	\$ -	\$ 413,860	\$ -	\$ 413,860	\$ -	\$ -	a)
Amortized cost							
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 IAS18 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	\$ <u> -</u>	\$ <u>24,978</u>	\$ <u>24,978</u>
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 remeasurement) 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

	December 31	
	2018	2017
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

	December 31	
	2018	2017
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>1,977,216</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
			December 31		
			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	
	Zealot Digital Pte. Ltd. (Zealot)	Development and sales of game software	100	100	
	Pay2go Corporation (Pay2go)	Third party payment service	-	89	Note 6
	Jhih 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	
	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	
	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	
	Jhih Long Venture Capital Corporation (Jhih 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	-
Transasiagamer (B.V.I.) Co., Ltd. (Transasiagamer)		Investment related business	100	100	
Transpacificgamer (B.V.I.) Co., Ltd. (Transpacificgamer)		Investment related business	-	-	Note 11
Transasiagamer	You Long Online (Beijing) Technology Corporation (You Long Beijing Online)	Online game service	100	100	
Star Diamond	Dragon Gamer (Hong Kong) Co., Ltd. (Dragon Gamer)	Information service industry	100	100	
Game Topia	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	
Global Concept	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	
	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
Value Central	Gamers Grande Corporation (Gamers Grande)	Investment related business	100	100	
	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
Efun	Compete ! Games Interactive Entertainment Corporation	Agent and operation of sports type of games	100	100	Note 2
	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
Interactive Entertainment	Re: Ad Media (Hong Kong) Corporation. (Re: Ad)	General advertising service	-	100	Notes 2 and 5
	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	Jhih Long Venture Capital Corporation (Jhih Long)	Investment related business	74	-	
(Concluded)					

(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
<hr/>	
Cost	
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>
<hr/>	
Accumulated depreciation	
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
<hr/> Accumulated amortization <hr/>			
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
<hr/> Cost <hr/>			
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>
<hr/> Accumulated amortization <hr/>			
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

	December 31	
	2018	2017
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:

	December 31	
	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:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2017	2016	2017	2016
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:

	Appropriation of Earnings	Dividends Per Share (NT\$)
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

	For the Year Ended December 31	
	2018	2017
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	<u>-</u>	<u>5,347</u>	<u>17</u>	<u>5,330</u>	<u>\$ 449,303</u>

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

	For the Year Ended December 31	
	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)	(5,607)	1,481
	<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:

	For the Year Ended December 31	
	2018	2017
<hr/>		
Accrual rate		
Employees' compensation (%)	5	5
Remuneration of directors and supervisors (%)	1	1
<hr/>		
Amount		
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

	For the Year Ended December 31	
	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:

	For the Year Ended December 31	
	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:

	For the Year Ended December 31	
	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

	December 31	
	2018	2017
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>-</u>	<u>-</u>	<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>-</u>	<u>177,405</u>	<u>-</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
<hr/> Financial assets <hr/>		
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	-
<hr/> Financial liabilities <hr/>		
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

	December 31	
	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

Related Party Name	Related Party Category
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>\$ 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>\$ 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>\$ 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	214,371	343	27,943	378	101,187	(344,222)	-
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							(13,072)
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	96,964	136,440	870,399	252,475	(1,356,278)	-
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						(28,357)
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.

TABLE 2

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.

TABLE 3

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	
		-	Financial assets at fair value through other comprehensive income - noncurrent	3,140,671	17,342	20	17,342	
	Taiwan Smart Card Co.	-	Financial assets at fair value through other comprehensive income - noncurrent					
		-	Financial assets at fair value through other comprehensive income - noncurrent		<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.

TABLE 4

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.

TABLE 5

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			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Operating Revenues (Assets)
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)

TABLE 7

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	Jhih 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	Jhih 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	\$ 8,000	800,000	53.00	\$ 3,969	\$ (6,891)	\$ (3,627)	Subsidiary (Note 7)
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)
Jhih 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	Jhih 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)

TABLE 8

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	\$ -	Note 3
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	-	
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	-	
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	-	Note 6
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	-	-	-	-	-	

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.

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Soft-World International Corporation

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Corporation 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 parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Corporation's parent company only financial statements for the year ended December 31, 2018 is stated as follows.

Recognition of Revenue

As disclosed in Note 4 to the parent company only 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 tested the shipping orders and collection of MyCard on a sample basis 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 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.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

As part of an audit in accordance with 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 Corporation to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the 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 parent company only 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 parent company only financial statements are intended only to present the parent company only 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 parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

SOFT-WORLD INTERNATIONAL CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,477,867	25	\$ 2,427,673	25
Notes receivable (Notes 4, 5 and 7)	2,226	-	41,350	1
Notes receivable - related parties (Notes 4, 5, 7 and 28)	-	-	530	-
Accounts receivable, net (Notes 4, 5 and 7)	77,532	1	1,977,652	21
Accounts receivable - related parties (Notes 4, 5, 7 and 28)	67,969	1	110,119	1
Other receivables (Notes 4 and 7)	1,796,372	18	17,215	-
Other receivables - related parties (Notes 4, 7 and 28)	221,871	2	6,538	-
Inventories (Notes 4 and 8)	25,379	1	34,341	-
Other financial assets - current (Notes 9 and 29)	1,292,589	13	1,193,979	12
Other current assets	<u>113,343</u>	<u>1</u>	<u>105,325</u>	<u>1</u>
Total current assets	<u>6,075,148</u>	<u>62</u>	<u>5,914,722</u>	<u>61</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 10)	312,574	3	-	-
Available-for-sale financial assets - noncurrent (Notes 4 and 11)	-	-	241,108	3
Financial assets measured at cost - noncurrent (Notes 4 and 12)	-	-	45,500	-
Investments accounted for using the equity method (Notes 4 and 13)	3,028,149	31	3,096,630	32
Property, plant and equipment (Notes 4, 14 and 29)	351,923	4	354,512	4
Other intangible assets (Notes 4 and 15)	27,151	-	3,319	-
Deferred tax assets (Notes 4 and 23)	34,864	-	31,546	-
Refundable deposits	2,839	-	3,242	-
Other financial assets - noncurrent (Note 9)	9,358	-	7,089	-
Other noncurrent assets	<u>-</u>	<u>-</u>	<u>148</u>	<u>-</u>
Total non-current assets	<u>3,766,858</u>	<u>38</u>	<u>3,783,094</u>	<u>39</u>
TOTAL	<u>\$ 9,842,006</u>	<u>100</u>	<u>\$ 9,697,816</u>	<u>100</u>

LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Contract liabilities - current (Note 21)	\$ 86,338	1	\$ -	-
Notes payable (Note 16)	9,897	-	21,299	-
Notes payable - related parties (Notes 16 and 28)	157,689	2	145,387	2
Accounts payable (Note 16)	43,477	-	2,189,580	23
Accounts payable - related parties (Notes 16 and 28)	60,144	1	168,653	2
Other payables (Notes 17 and 19)	2,674,167	27	496,905	5
Other payables - related parties (Note 28)	253,687	2	10,156	-
Current tax liabilities (Notes 4 and 23)	77,893	1	69,610	1
Provisions - current (Note 4)	-	-	1,888	-
Other financial liabilities - current (Notes 4 and 18)	687,411	7	-	-
Advances received (Notes 4 and 18)	-	-	787,481	8
Deferred revenue - current (Notes 4 and 28)	-	-	16,069	-
Other current liabilities	<u>12,425</u>	<u>-</u>	<u>17,558</u>	<u>-</u>
Total current liabilities	<u>4,063,128</u>	<u>41</u>	<u>3,924,586</u>	<u>41</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	21,858	-	14,108	-
Net defined benefit liabilities (Notes 4 and 19)	81,342	1	79,932	1
Guarantee deposits received	225	-	395	-
Other noncurrent liabilities (Note 13)	<u>5,187</u>	<u>-</u>	<u>5,570</u>	<u>-</u>
Total non-current liabilities	<u>108,612</u>	<u>1</u>	<u>100,005</u>	<u>1</u>
Total liabilities	<u>4,171,740</u>	<u>42</u>	<u>4,024,591</u>	<u>42</u>
EQUITY (Note 20)				
Share capital	<u>1,274,743</u>	<u>13</u>	<u>1,274,743</u>	<u>13</u>
Capital surplus	<u>1,744,934</u>	<u>18</u>	<u>1,529,865</u>	<u>16</u>
Retained earnings				
Legal reserve	930,645	10	888,889	9
Special reserve	25,117	-	25,117	-
Unappropriated earnings	<u>1,981,052</u>	<u>20</u>	<u>1,821,197</u>	<u>19</u>
Total retained earnings	<u>2,936,814</u>	<u>30</u>	<u>2,735,203</u>	<u>28</u>
Other equity	<u>163,078</u>	<u>2</u>	<u>133,414</u>	<u>1</u>
Treasury shares	<u>(449,303)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>
Total equity	<u>5,670,266</u>	<u>58</u>	<u>5,673,225</u>	<u>58</u>
TOTAL	<u>\$ 9,842,006</u>	<u>100</u>	<u>\$ 9,697,816</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 21, 2019)

SOFT-WORLD INTERNATIONAL CORPORATION

PARENT COMPANY ONLY 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 4 and 21)	\$ 2,402,463	100	\$ 14,425,722	100
OPERATING COSTS (Notes 4, 8, 22 and 28)	<u>408,544</u>	<u>17</u>	<u>12,498,369</u>	<u>86</u>
GROSS PROFIT	1,993,919	83	1,927,353	14
REALIZED GAIN ON TRANSACTIONS	<u>16,069</u>	<u>1</u>	<u>2,657</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,009,988</u>	<u>84</u>	<u>1,930,010</u>	<u>14</u>
OPERATING EXPENSES (Note 22)				
Selling and marketing expenses	1,250,383	52	1,246,473	9
General and administrative expenses	183,645	8	147,925	1
Research and development expenses	38,609	1	23,419	-
Expected credit loss (Note 7)	<u>14,668</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,487,305</u>	<u>62</u>	<u>1,417,817</u>	<u>10</u>
OPERATING INCOME	<u>522,683</u>	<u>22</u>	<u>512,193</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 22)	37,112	1	34,492	-
Other gains and losses (Note 22)	12,316	-	63,109	1
Share of profit (loss) of subsidiaries and associates accounted for using the equity method (Note 4)	<u>15,966</u>	<u>1</u>	<u>(93,172)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>65,394</u>	<u>2</u>	<u>4,429</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	588,077	24	516,622	4
INCOME TAX EXPENSE (Notes 4 and 23)	<u>126,755</u>	<u>5</u>	<u>99,064</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>461,322</u>	<u>19</u>	<u>417,558</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(6,314)	-	(2,096)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 20)	25,966	1	-	-
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	(5,924)	-	1,168	-

(Continued)

SOFT-WORLD INTERNATIONAL CORPORATION

PARENT COMPANY ONLY 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	%
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	\$ 1,956	-	\$ 357	-
	<u>15,684</u>	<u>1</u>	<u>(571)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 20)	11,140	-	(44,330)	-
Unrealized loss on available-for-sale financial assets (Note 20)	-	-	(141,128)	(1)
Share of other comprehensive gain (loss) of subsidiaries and associates accounted for using the equity method (Note 20)	1,034	-	(16,597)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 20 and 23)	(2,956)	-	7,490	-
	<u>9,218</u>	<u>-</u>	<u>(194,565)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>24,902</u>	<u>1</u>	<u>(195,136)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 486,224</u>	<u>20</u>	<u>\$ 222,422</u>	<u>2</u>
EARNINGS PER SHARE (Note 24)				
Basic	\$ 3.70		\$ 3.28	
Diluted	\$ 3.68		\$ 3.26	

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

(With Deloitte & Touche audit report dated March 21, 2019)

(Concluded)

SOFT-WORLD INTERNATIONAL CORPORATION

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

			Retained Earnings			Other Equity			Subtotal	Treasury Shares	Total Equity
						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			
	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
Appropriation of 2016 earnings (Note 20)											
Legal reserve	-	-	42,096	-	(42,096)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(254,949)	-	-	-	-	-	(254,949)
	-	-	42,096	-	(297,045)	-	-	-	-	-	(254,949)
Net profit in 2017	-	-	-	-	417,558	-	-	-	-	-	417,558
Other comprehensive loss in 2017, net of income tax	-	-	-	-	(571)	(39,941)	(154,624)	-	(194,565)	-	(195,136)
Total comprehensive income (loss) in 2017	-	-	-	-	416,987	(39,941)	(154,624)	-	(194,565)	-	222,422
Changes in percentage ownership interests in subsidiaries	-	2,347	-	-	-	-	-	-	-	-	2,347
Changes in capital surplus from investments in associates accounted for using the equity method	-	6,328	-	-	-	-	-	-	-	-	6,328
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
Effect of retrospective application and retrospective restatements (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
Appropriation of 2017 earnings (Note 20)											
Legal reserve	-	-	41,756	-	(41,756)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(254,949)	-	-	-	-	-	(254,949)
	-	-	41,756	-	(296,705)	-	-	-	-	-	(254,949)
Net profit in 2018	-	-	-	-	461,322	-	-	-	-	-	461,322
Other comprehensive income (loss) in 2018, net of income tax	-	-	-	-	(4,762)	9,218	-	20,446	29,664	-	24,902
Total comprehensive income in 2018	-	-	-	-	456,560	9,218	-	20,446	29,664	-	486,224
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	59,351	-	-	-	-	-	-	-	-	59,351
Changes in percentage ownership interests in subsidiaries	-	145,350	-	-	-	-	-	-	-	-	145,350
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	(450,715)	(450,715)
Disposal of the Corporation's shares held by subsidiaries	-	9	-	-	-	-	-	-	-	1,412	1,421
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	10,359	-	-	-	-	-	-	-	-	10,359
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

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

(With Deloitte & Touche audit report dated March 21, 2019)

SOFT-WORLD INTERNATIONAL CORPORATION

PARENT COMPANY ONLY 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	\$ 588,077	\$ 516,622
Adjustments for:		
Depreciation expenses	5,238	6,142
Amortization expenses	23,502	18,468
Expected credit loss recognized on accounts receivable	14,668	-
Impairment loss recognized on accounts receivable	-	9,638
Interest income	(18,551)	(17,811)
Dividend income	(1,668)	(4,853)
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	(15,966)	93,172
Gain on disposal of investments	-	(67,650)
Loss (gain) on inventories	(672)	703
Realized gain on the transactions with subsidiaries and associates	(16,069)	(2,657)
Others	174	464
Changes in operating assets and liabilities		
Notes receivable	39,124	19,388
Notes receivable - related parties	530	(131)
Accounts receivable	(31,554)	243,842
Accounts receivable - related parties	(40,131)	(1,549)
Other receivables	138,408	(15,529)
Other receivables - related parties	(133,052)	2,269
Inventories	11,187	11,127
Other current assets	(9,571)	6,072
Contract liabilities	20,184	-
Notes payable	(11,402)	(6,498)
Notes payable - related parties	12,302	(125,378)
Accounts payable	(7,131)	72,068
Accounts payable - related parties	1,573	(53,662)
Other payables	83,989	(90,228)
Other payables - related parties	133,449	8,206
Provisions	-	(3,793)
Advances received	-	(151,341)
Other financial liabilities	(33,916)	-
Other current liabilities	(55,000)	(11,750)
Net defined benefit liabilities	(4,904)	(4,256)
Cash generated from operations	692,818	451,095
Interest received	17,992	17,870
Dividends received	125,812	145,340
Income tax paid	(115,040)	(55,018)
Net cash generated from operating activities	721,582	559,287
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale financial assets	-	88,478

(Continued)

SOFT-WORLD INTERNATIONAL CORPORATION

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

	2018	2017
Acquisition of investments accounted for using the equity method	\$ (384,455)	\$ (32,298)
Proceeds from sale of subsidiaries	80,053	-
Proceeds from shares return due to capital reduction of investments accounted for using the equity method	36,312	-
Payments for property, plant and equipment	(369)	(12,327)
Increase in refundable deposits	(1,542)	-
Decrease in refundable deposits	1,945	735
Payments for intangible assets	(47,334)	(17,749)
Increase in other financial assets	(1,225,859)	(149,733)
Decrease in other financial assets	<u>1,124,980</u>	<u>-</u>
Net cash used in investing activities	<u>(416,269)</u>	<u>(122,894)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	-	20
Decrease in guarantee deposits received	(170)	-
Cash dividends distributed	<u>(254,949)</u>	<u>(254,949)</u>
Net cash used in financing activities	<u>(255,119)</u>	<u>(254,929)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	50,194	181,464
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,427,673</u>	<u>2,246,209</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,477,867</u>	<u>\$ 2,427,673</u>

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

(With Deloitte & Touche audit report dated March 21, 2019)

(Concluded)

SOFT-WORLD INTERNATIONAL CORPORATION

NOTES TO PARENT COMPANY ONLY 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 parent company only financial statements are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only 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 Corporation'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 Corporation 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 Corporation'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	\$ 2,427,673	\$ 2,427,673	b)
Equity securities	Available-for-sale financial assets	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	286,608	286,608	a)
Notes receivable, accounts receivable and other receivables (including related parties)	Loans and receivables	Amortized cost	2,153,404	2,153,404	b)
Other financial assets (current and noncurrent)	Loans and receivables	Amortized cost	1,201,068	1,201,068	b)
Refundable deposits	Loans and receivables	Amortized cost	3,242	3,242	b)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of 1-Jan-18	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI							
Reclassification from available-for-sale (IAS39)	\$ -	\$ 286,608	\$ -	\$ 286,608	\$ -	\$ -	a)
Amortized cost							
Reclassification from loans and receivables (IAS 39)	\$ -	\$ 5,785,387	\$ -	\$ 5,785,387	\$ -	\$ -	b)

- a) The Corporation 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.

- b) 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 Corporation shall identify each specified good or service first, then assesses whether the Corporation controls goods or services before each specified good or service is transferred to customers. The Corporation is a principal if it controls the specified 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 Corporation shall individually identify whether the specified good in the contract is a principal or an agent.

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

- a) The Corporation obtains the control of goods or assets from another party before the goods or other assets transferred to customers; or
- b) The Corporation 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 Corporation 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 Corporation does not control the certain good or service before it is provided to a customer include the following (but not limited to):

- a) The Corporation is primarily responsible for fulfilling the promise that providing the certain good or service.
- b) The Corporation has inventory risk before or after the certain good or the service transferred to a customer.
- c) The Corporation exercises 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 Corporation's promises are from another party's operating games, and the Corporation has not obtained control of the specified goods or services before the goods or services transferred to customers, the Corporation 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 Corporation 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 Corporation's promises in granting the licence meets all of the following criteria which means providing the Corporation with the right to access intellectual property, the Corporation 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 Corporation 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 Corporation; 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 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 Corporation's activities will significantly influence customers' rights.

For a sale with a right of return, the Corporation recognizes a refund liability (recognized as other current liabilities) and a right to recover a product (recognized other current assets) when recognizing revenue. Prior to the application of IFRS 15, return provisions and inventories were recognized when recognizing revenue.

The Corporation 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	\$ 34,341	\$ (1,553)	\$ 32,788
Accounts receivable, net	1,977,652	(1,931,286)	46,366
Accounts receivable from related parties	110,119	(82,281)	27,838
Other receivables	17,215	1,931,286	1,948,501
Other receivables from related parties	6,538	82,281	88,819
Right to recover a product (other current assets)	<u>-</u>	<u>1,553</u>	<u>1,553</u>
Total effect on assets	<u>\$ 2,145,865</u>	<u>\$ -</u>	<u>\$ 2,145,865</u>
Contract liabilities - current	\$ -	\$ 66,154	\$ 66,154
Accounts payable	2,189,580	(2,138,972)	50,608
Accounts payable from related parties	168,653	(110,082)	58,571
Other payables	496,905	2,138,972	2,635,877
Other payables from related parties	10,156	110,082	120,238
Provisions - current	1,888	(1,888)	-
Other financial liabilities	-	721,327	721,327
Advances received	787,481	(787,481)	-
Refund liabilities - current (other current liabilities)	<u>-</u>	<u>1,888</u>	<u>1,888</u>
Total effect on liabilities	<u>\$ 3,654,663</u>	<u>\$ -</u>	<u>\$ 3,654,663</u>

Had the Corporation 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)	1,756,015
Increase in accounts receivable from related parties	88,691
Decrease in other receivables	(1,792,621)
	(Continued)

	December 31, 2018
Decrease in other receivables from related parties	\$ (88,691)
Decrease in other current assets (right to recover a product)	<u>(4,527)</u>
Increase (decrease) in assets	<u>\$ -</u>
Decrease in contract liabilities - current	\$ (86,338)
Increase in accounts payable	2,275,372
Increase in accounts payable from related parties	247,214
Decrease in other payables	(2,275,372)
Decrease in other payables from related parties	(247,214)
Increase in provisions - current	5,053
Decrease in other financial liabilities	(687,411)
Increase in advances received	773,749
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	IAS 18	Amount Affected
Operating revenue	\$ 2,402,463	\$ 13,260,981	\$ 10,858,518
Operating costs	<u>408,544</u>	<u>11,267,062</u>	<u>10,858,518</u>
Gross profit	<u>\$ 1,993,919</u>	<u>\$ 1,993,919</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 Corporation 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 Corporation 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 Corporation as lessee

Upon initial application of IFRS 16, the Corporation will recognize right-of-use assets and lease liabilities for all leases on the parent company only 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 parent company only statements of comprehensive income, the Corporation 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 parent company only 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, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the parent company only statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Corporation 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 an amount equal to the lease liabilities. The Corporation will apply IAS 36 to all right-of-use assets.

The Corporation expects to apply the following practical expedients:

- i The Corporation will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- ii The Corporation will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- iii The Corporation 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	\$ -	\$ 9,122	\$ 9,122
Lease liabilities - current	\$ -	\$ 3,327	\$ 3,327
Lease liabilities - non-current	-	5,795	5,795
Total effect on liabilities	\$ -	\$ 9,122	\$ 9,122

c) The Corporation as lessor

The Corporation 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 an impact on the Corporation'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 Corporation should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation 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 Corporation should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Corporation expects to better predict the resolution of the uncertainty. The Corporation has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Corporation 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 parent company only financial statements were authorized for issue, the Corporation assessed that the application of other standards, amendments and interpretations would not have a material impact on the Corporation'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 Corporation 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 Corporation 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 Corporation sell or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation loses control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Corporation sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Corporation’s interest as an unrelated investor in the associate, i.e. the Corporation’s share of the gain or loss is eliminated. Also, when the Corporation 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 Corporation’s interest as an unrelated investor in the associate, i.e. the Corporation’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 parent company only financial statements were authorized for issue, the Corporation are continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only 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.

When preparing the parent company only financial statements, the Corporation accounted for subsidiaries and associates using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the account investments accounted for using the equity method, share of profit of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

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. Foreign currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation'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 purposes of presenting the parent company only financial statements, the investments of the Corporation's foreign operations (including subsidiaries and associates operating in other countries using currencies different from the Corporation's currency) 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; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

e. 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.

f. Investments accounted for using the equity method

The Corporation uses the equity method to account for its investments in subsidiaries and associates.

1) Investments in subsidiaries

A subsidiary is an entity that is controlled by the Corporation.

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

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary exceeds its interest in that subsidiary (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 Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the

carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the Corporation's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the Corporation's financial statements only to the extent of interests in the subsidiaries that are not related to the Corporation.

2) Investments in associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

Any excess of the cost of acquisition over the Corporation'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 Corporation'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 Corporation 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 Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Corporation's ownership interest is reduced due to non-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 if the investee had 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 Corporation'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 Corporation's net investment in the associate), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When impairment loss is evaluated, the entire carrying amount of the 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 deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable

amount of the investment has subsequently increased.

When the Corporation transacts with its associates, profits or losses resulting from these transactions with the associate are recognized in the parent company only financial statements only to the extent of interests in the associate that are not related to the Corporation.

g. Property, plant and equipment

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

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, the 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.

h. 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. 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) 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.

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation 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 Corporation 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.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation 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 Corporation 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 Corporation'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 Corporation 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 Corporation'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 Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable and other receivables).

The Corporation always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable and other receivables. For all other financial instruments, the Corporation 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 Corporation 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 Corporation 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 Corporation'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 Corporation 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 2018, 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 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 Corporation 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.

k. 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.

l. Revenue recognition

2018

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

The Corporation 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 Corporation recognizes revenue and in the meantime, the Corporation also recognizes refund liabilities (classified under other current liabilities) and right 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 Corporation recognizes the related revenue and accounts receivable at the point of time the goods were transferred.

2) Rendering of services

a) Sales of the 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) 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.

3) Licensing revenue

When the nature of the Corporation's promises in granting the licences meets all of the following criteria which means providing the Corporation with the right to access the intellectual property, the Corporation 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 Corporation shall recognize revenue when the licence granted is transferred:

- a) The customer reasonably expects, that the Corporation 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 Corporation'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 Corporation'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 and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and 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 Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods (agent);
- b) The Corporation 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 Corporation; 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 game 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 "Advances received" 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 sale of online game points operated by the Corporation's subsidiaries will be 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 Corporation 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 Corporation 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.

m. 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. Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

n. 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 remeasurement) 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 Corporation'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.

o. 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, unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation 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. Deferred tax assets arising from deductible temporary differences associated with such investments 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 Corporation 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 the acquisition of a subsidiary, the tax effect is included in the accounting for investments in the subsidiary.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation'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 Corporation uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Corporation's past history and existing market conditions. If 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 Corporation 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. If the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 910	\$ 972
Checking accounts	160	160
Demand deposits	1,485,277	1,295,771
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>991,520</u>	<u>1,130,770</u>
	<u>\$ 2,477,867</u>	<u>\$ 2,427,673</u>

7. NOTES AND ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable - unrelated parties		
Operating	<u>\$ 2,226</u>	<u>\$ 41,350</u>
Notes receivable - related parties (Note 28)		
Operating	<u>\$ -</u>	<u>\$ 530</u>

(Continued)

	December 31	
	2018	2017
Accounts receivable - unrelated parties		
At amortized cost		
Gross carrying amount	\$ 78,028	\$ 2,041,828
Less: Allowance for impairment loss	<u>496</u>	<u>64,176</u>
	<u>\$ 77,532</u>	<u>\$ 1,977,652</u>
Accounts receivable - related parties (Note 28)		
Operating	<u>\$ 67,969</u>	<u>\$ 110,119</u>
Other receivables (including related parties) (Note 28)		
Receivables for receipts under custody	\$ 1,948,955	\$ -
Less: Allowance for impairment loss - receivables for receipts under custody	<u>67,643</u>	<u>-</u>
	1,881,312	-
Loans receivable from related parties	30,495	-
Other collection receivables	<u>106,436</u>	<u>23,753</u>
	<u>\$ 2,018,243</u>	<u>\$ 23,753</u>
Other receivables	\$ 1,796,372	\$ 17,215
Other receivables - related parties (Note 28)	<u>221,871</u>	<u>6,538</u>
	<u>\$ 2,018,243</u>	<u>\$ 23,753</u>

(Concluded)

2018

a. Notes receivable

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

The aging analysis of notes receivable was as follows:

	December 31, 2018
Up to 90 days	\$ 1,044
91-180 days	1,125
181-365 days	<u>57</u>
Total	<u>\$ 2,226</u>

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

b. Accounts receivable

The Corporation's average credit period is 30 to 120 days. The Corporation adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation uses other publicly available financial information or its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored. Also, credit exposure is controlled by counterparty limits that are reviewed and approved.

The Corporation 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. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The Corporation writes off accounts 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 trade receivables are overdue. For accounts receivable that have been written off, the Corporation 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 Corporation's provision matrix:

	Less than 90 Days	91 to 180 Days	181 to 365 Days	More than 1year	Total
Expected credit loss rate (%)	-	3	30	100	
Gross carrying amount	\$ 144,112	\$ 714	\$ 1,004	\$ 167	\$ 145,997
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(22)</u>	<u>(307)</u>	<u>(167)</u>	<u>(496)</u>
Amortized cost	<u>\$ 144,112</u>	<u>\$ 692</u>	<u>\$ 697</u>	<u>\$ -</u>	<u>\$ 145,501</u>

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 21), 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 Corporation's provision matrix:

For the year ended December 31, 2018

	Less than 90 Days	91 to 180 Days	181 to 365 Days	More than 1year	Total
Expected credit loss rate (%)	-	3	30	100	
Gross carrying amount	\$1,821,387	\$ 45,786	\$ 24,903	\$ 56,879	\$1,948,955
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>\$1,821,387</u>	<u>\$ 44,399</u>	<u>\$ 15,526</u>	<u>\$ -</u>	<u>\$1,881,312</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	\$ 64,176	\$ -	\$ 64,176

(Continued)

	For the Year Ended December 31, 2018		
	Accounts Receivable	Other Receivables	Total
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, as adjusted	108	64,068	64,176
Add: Net remeasurement of loss allowance	388	14,280	14,668
Less: Amounts written off	<u>-</u>	<u>(10,705)</u>	<u>(10,705)</u>
Balance at December 31, 2018	<u>\$ 496</u>	<u>\$ 67,643</u>	<u>\$ 68,139</u> (Concluded)

2017

a. Notes receivable

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

b. Accounts receivable

The Corporation's 2017 credit policy is the same as the 2018 credit policy described above. The Corporation decides the recoverability of accounts receivable based on any movements of accounts receivable from the date credit was initially granted to the balance sheet date. The allowance for impairment loss is based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	December 31, 2018
Up to 60 days	\$ 1,877,127
61-90 days	154,683
91-120 days	28,642
Over 121 days	<u>91,495</u>
Total	<u>\$ 2,151,947</u>

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

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

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

	Collectively Assessed for Impairment
Balance at January 1, 2017	\$ 55,076
Add: Impairment losses recognized on receivables	9,638
Less: Amounts written off during the period as uncollectible	<u>(538)</u>
Balance at December 31, 2017	<u>\$ 64,176</u>

8. INVENTORIES

	December 31	
	2018	2017
Finished goods	\$ 493	\$ 407
Merchandise	24,886	32,381
Allowance for sales returns of merchandise and finished goods	<u>-</u>	<u>1,553</u>
	<u>\$ 25,379</u>	<u>\$ 34,341</u>

Loss on write-downs of inventories recognized as cost of inventories in the table above for the years ended December 31, 2018 and 2017 was \$13,718 thousand and \$14,718 thousand, respectively.

The operating costs for the years ended December 31, 2018 and 2017 was \$408,544 thousand and \$12,498,369 thousand, respectively, which includes the following:

	For the Year Ended December 31, 2018	
	2018	2017
Gain on reversal of write-downs	\$ (1,000)	\$ (1,033)
Loss on disposal	<u>328</u>	<u>1,736</u>
	<u>\$ (672)</u>	<u>\$ 703</u>

9. OTHER FINANCIAL ASSETS

	December 31	
	2018	2017
Pledged demand deposits (Note 29)	\$ 17,359	\$ 33,999
Pledged time deposits (Note 29)	-	35,000
Restricted deposits	9,358	7,089
Time deposits with original maturities of more than 3 months	<u>1,275,230</u>	<u>1,124,980</u>
	<u>\$ 1,301,947</u>	<u>\$ 1,201,068</u>
Current	\$ 1,292,589	\$ 1,193,979
Non-current	<u>9,358</u>	<u>7,089</u>
	<u>\$ 1,301,947</u>	<u>\$ 1,201,068</u>

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

	December 31, 2018
Listed shares	\$ 117,474
Private - placement shares of listed companies	149,600
Foreign unlisted shares	<u>45,500</u>
	<u>\$ 312,574</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 Corporation'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 Note 3, Note 11 and Note 12 for information relating to their reclassification and comparative information for 2017.

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

	December 31, 2017
Listed shares	\$ 128,708
Private - placement shares of listed companies	<u>112,400</u>
	<u>\$ 241,108</u>

12. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT - 2017

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

Management considered the above unlisted equity investments held by the Corporation 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.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	\$ 3,006,501	\$ 3,070,046
Investments in associates	<u>21,648</u>	<u>26,584</u>
	<u>\$ 3,028,149</u>	<u>\$ 3,096,630</u>

a. Investments in subsidiaries

	December 31	
	2018	2017
Listed company		
Chinese Gamer International Corporation (Chinese Gamer)	\$ 493,096	\$ 628,026

(Continued)

	December 31	
	2018	2017
Unlisted company		
Game Flier International Corporation (Game Flier)	\$ 713,434	\$ 761,301
Soft-World International (Hong Kong) Corporation	514,906	487,639
Pay2go Technology Corporation (Pay2go)	-	329,210
Neweb Technologies Co., Ltd.	445,132	-
Game First International Corporation (Game First)	250,445	344,815
Global Concept Corporation (Global Concept)	239,486	218,338
Zealot Digital International Corporation	78,344	85,217
Efun International Corporation	122,877	-
Jhih Long Venture Capital Corporation (Jhih Long)	7,430	110,584
Soft-World Technology Pte. Ltd.	20,479	23,584
Fast Distributed Cloud Computing Co.,Ltd.	34,506	19,474
Interactive Entertainment Technology Co., Ltd. (Interactive Entertainment)	15,424	15,394
Re: Ad Media Corporation (Re: Ad Media)	6,538	15,217
Smartpath Digital Technology Co., Ltd.	-	19,674
Dynasty International Information Corporation	14,213	4,932
Efun International Co., Ltd.	6,201	6,349
Long Xiang Investment Corporation (Long Xiang)	19,273	-
CELAD Incorporated (CELAD)	1,384	-
Re: Ad Media (Taiwan) Corporation (Re: Ad Media (Taiwan))	21,241	-
Jorsen Technology Co., Ltd (Jorsen)	-	(3,501)
Sofaman Corporation (Sofaman)	(5,187)	(2,069)
Zealot	(4,854)	(5,785)
	<u>2,994,368</u>	<u>3,058,399</u>
Credit balance of long-term investments offset with prepayment of long-term investments	6,946	6,077
Credit balance of long-term investments reclassified to other liabilities	<u>5,187</u>	<u>5,570</u>
	<u>\$ 3,006,501</u>	<u>\$ 3,070,046</u>
		(Concluded)

	Proportion of Ownership and Voting Rights (%)	
	December 31	
	2018	2017
Chinese Gamer	49	51
Game Flier	98	98
Soft-World (Hong Kong)	100	100
Pay2go	-	89
Neweb Technologies	50	-
Game First	70	70
Global Concept	100	100
Zealot Digital	99	99
Efun International Corporation	89	-
Jhih Long	13	50
Soft-World Technology Pte. Ltd.	100	100
Fast Distributed Cloud	100	100
		(Continued)

	Proportion of Ownership and Voting Rights (%)	
	December 31	
	2018	2017
Interactive Entertainment	80	80
Re: Ad Media	51	51
Smartpath Digital	-	100
Dynasty	86	86
Efun International Corporation	89	89
Long Xiang	44	-
CELAD	25	-
Re: Ad Media (Taiwan)	51	-
Jorsen	-	85
Sofaman	60	60
Zealot	100	100
		(Concluded)

Information on the market price of investments in listed companies accounted for using the equity method on the balance sheet date calculated based on the stock closing price is as follows:

	December 31	
	2018	2017
Chinese Gamer	<u>\$ 1,537,004</u>	<u>\$ 1,676,224</u>

For a brief description of each long-term investment, refer to Table 6. The related main changes are as follows:

- 1) Part of Chinese Gamer's shares were sold in the current period, 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.
- 2) As of December 31, 2018 and 2017, the investments in Game Flier in which the Corporation continually increased its holdings amounted to \$12 thousand and \$55 thousand, respectively. As of December 31, 2018, the amount of investments in Game Flier was \$217,846 thousand.
- 3) The Corporation acquired Neweb Technologies and its subsidiaries' shares by exchanging the shares of its original subsidiaries, Smartpath Digital and Pay2go. The record date for the exchange of shares was April 9, 2018. Under IFRS 3: Business Combinations, the aforementioned transaction was deemed as a reverse acquisition of Neweb Technologies, refer to Note 28: Business Combinations to the consolidated financial statements for the year ended December 31, 2018 for the details.
- 4) Game First carried out a capital reduction in June 2018, and the Corporation decreased its investment according to the proportion of capital reduction and received a refund of shares of \$30,800 thousand. As of December 31, 2018, the amount of investments the Corporation held in Game First International Corporation was \$27,813 thousand.
- 5) Efun International Corporation carried out a capital reduction for offsetting accumulated deficits of \$20,876 thousand in June 2018. In the same month, Efun International Corporation increased capital by cash of \$80,000 thousand, of which the Corporation's subsidiary 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 of \$6,318 thousand in August 2018. As of December 31, 2018, the amount of

investments in Efun International Corporation was \$77,270 thousand.

- 6) Jhih Long increased capital by cash in May and September 2018, respectively, and the Corporation did not subscribe for the shares by the original shareholding percentage, and thus, the Corporation's shareholding ratio decreased to 13%. The Corporation and its subsidiaries have 100% ownership of Jhih Long, and has the practical ability to direct the relevant activities of Jhih Long unilaterally. Therefore, Jhih Long was recognized as a subsidiary of the Corporation.
- 7) Re: AD executed a capital reduction in October 2018, and the Corporation decreased its investment according to the proportion of capital reduction and received a refund of shares of \$5,512 thousand. As of December 31, 2018, the amount of investments in Re: AD was \$5,247 thousand.
- 8) In May 2018, the Corporation and its subsidiary Chinese Gamer collectively invested in and established Long Xiang, whose main business was investment. As of December 31, 2018, the amount of the investments in Long Xiang was \$250,000 thousand.
- 9) CELAD increased capital by cash in June 2018, and the Corporation's subsidiary Chinese Gamer waived the right. In the meantime, the Corporation subscribed for shares with the amount of \$10,000 thousand. As of December 31, 2018, the amount of investments in CELAD was \$10,000 thousand.
- 10) Re: Ad Media (Taiwan) increased capital by cash of \$20,000 thousand, and the Corporation subscribed for shares with \$10,200 thousand; In addition, the Corporation acquired the shares Re: Ad Media (Taiwan) from the Corporation's subsidiary Re: Ad Media, and invested \$3,894 thousand. As of December 31, 2018, the amount of investments in Re: Ad Media (Taiwan) was \$14,094 thousand.
- 11) Jorsen increased capital by cash in February 2018, and the Corporation subscribed for the shares for \$3,703 thousand by the original shareholding percentage. In September 2018, Jorsen completed liquidation, and refunded \$575 thousand in distributable assets.
- 12) Sofaman executed capital reduction for offsetting accumulated deficits in May 2017, and the Corporation decreased the amount of investments by \$8,994 thousand according to the percentage of capital reduction. In the meantime, Sofaman increased capital by cash of \$4,600 thousand, and the Corporation invested \$2,760 thousand by the original shareholding percentage. As of December 31, 2018, investments in Sofaman was \$2,766 thousand.
- 13) The Corporation increased investments in Zealot which amounted to \$25,417 thousand (SGD1,122 thousand) and \$29,483 thousand (SGD1,334 thousand) for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, investments of \$6,946 thousand (SGD304 thousand) and \$6,077 thousand (SGD270 thousand) have not completed the procedures for change in registration. As of December 31, 2018, the Corporation's investments in Zealot amounted to \$261,882 thousand (100% ownership). The Corporation has the intention to continuously support Zealot's operations, and thus continually recognized its loss. As of December 31, 2018 and 2017, the amount of long-term investments was negative, and therefore the Corporation wrote-off its prepaid long-term investments that amounted to \$6,946 thousand and \$6,077 thousand, respectively.

Except for the investments in some non-significant subsidiaries, the share of profit or loss and other comprehensive income of subsidiaries, were calculated based on the audited financial statements. The Corporation'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.

b. Investments in associates

	December 31	
	2018	2017
Investments in associates - associates that are not individually material	<u>\$ 21,648</u>	<u>\$ 26,584</u>
Aggregate information of associates that are not individually material :		
	For the Year Ended December 31,	
	2018	2017
The Corporation's share of:		
Total loss and other comprehensive loss for the year	<u>\$ (8,894)</u>	<u>\$ (14,244)</u>

In April and November 2017, We Can Financial Technology increased capital by cash that amounted to \$50,000 thousand in total, and the Corporation did not subscribe for the shares by the original shareholding percentage. The Corporation increased its investments by \$3,959 thousand and acquired 11% ownership of We Can Financial Technology Co., Ltd. As of December 31, 2018, the amount of investments in We Can Financial Technology Co., Ltd was \$23,959 thousand.

Except for some associates, the share of profit or loss and other comprehensive income of associates for the years ended December 31, 2018 and 2017, were calculated based on the audited financial statements. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements which have not been audited.

14. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2018

	Freehold Land	Buildings	Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
Cost							
Balance at January 1, 2018							
Additions	\$ 215,321	\$ 183,407	\$ 14,657	\$ 2,670	\$ 1,098	\$ 2,799	\$ 419,952
Disposals	-	-	2,469	-	180	-	2,649
	-	-	(11,511)	(2,670)	(1,098)	(2,444)	(17,723)
Balance at December 31, 2018	<u>\$ 215,321</u>	<u>\$ 183,407</u>	<u>\$ 5,615</u>	<u>\$ -</u>	<u>\$ 180</u>	<u>\$ 355</u>	<u>\$ 404,878</u>
Accumulated depreciation							
Balance at January 1, 2018							
Disposals	\$ -	\$ 45,459	\$ 13,867	\$ 2,670	\$ 1,098	\$ 2,346	\$ 65,440
Depreciation expenses	-	4,304	633	-	25	276	5,238
	-	-	(11,511)	(2,670)	(1,098)	(2,444)	(17,723)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 49,763</u>	<u>\$ 2,989</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 178</u>	<u>\$ 52,955</u>
Carrying amounts at December 31, 2018	<u>\$ 215,321</u>	<u>\$ 133,644</u>	<u>\$ 2,626</u>	<u>\$ -</u>	<u>\$ 155</u>	<u>\$ 177</u>	<u>\$ 351,923</u>

For the year ended December 31, 2017

	Freehold Land	Buildings	Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
Cost							
Balance at January 1, 2017	\$ 209,513	\$ 177,215	\$ 14,330	\$ 2,670	\$ 1,098	\$ 2,799	\$ 407,625
Additions	5,808	6,192	327	-	-	-	12,327
Balance at December 31, 2017	<u>\$ 215,321</u>	<u>\$ 183,407</u>	<u>\$ 14,657</u>	<u>\$ 2,670</u>	<u>\$ 1,098</u>	<u>\$ 2,799</u>	<u>\$ 419,952</u>

(Continued)

	Freehold Land	Buildings	Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2017	\$ -	\$ 41,279	\$ 12,651	\$ 2,670	\$ 1,098	\$ 1,600	\$ 59,298
Depreciation expenses	-	4,180	1,216	-	-	746	6,142
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 45,459</u>	<u>\$ 13,867</u>	<u>\$ 2,670</u>	<u>\$ 1,098</u>	<u>\$ 2,346</u>	<u>\$ 65,440</u>
Carrying amounts at December 31, 2017	<u>\$ 215,321</u>	<u>\$ 137,948</u>	<u>\$ 790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453</u>	<u>\$ 354,512</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	25-55years
Equipment	2-10years
Transportation Equipment	5years
Office Equipment	5years
Miscellaneous Equipment	3-5years

15. OTHER INTANGIBLE ASSETS

For the year ended December 31, 2018

	Computer Software
<u>Cost</u>	
Balance at January 1, 2018	\$ 45,475
Additions	47,334
Write-off	<u>(37,563)</u>
Balance at December 31, 2018	<u>\$ 55,246</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2018	\$ 42,156
Amortization expenses	23,502
Write-off	<u>(37,563)</u>
Balance at December 31, 2018	<u>\$ 28,095</u>
Carrying amount at December 31, 2018	<u>\$ 27,151</u>

For the year ended December 31, 2017

	Computer Software
<u>Cost</u>	
Balance at January 1, 2017	\$ 27,726
Additions	<u>17,749</u>
Balance at December 31, 2017	<u>\$ 45,475</u>

(Continued)

	Computer Software
<u>Accumulated amortization</u>	
Balance at January 1, 2017	\$ 23,688
Amortization expenses	<u>18,468</u>
Balance at December 31, 2017	<u>\$ 42,156</u>
Carrying amount at December 31, 2017	<u>\$ 3,319</u> (Concluded)

The above intangible assets are depreciated on a straight-line basis over their estimated useful lives of 1 to 3 years.

16. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	2018	2017
Notes payable - unrelated parties		
Operating	\$ <u>9,897</u>	\$ <u>21,299</u>
Notes payable - related parties (Note 28)		
Operating	\$ <u>157,689</u>	\$ <u>145,387</u>
Accounts payable - unrelated parties		
Operating	\$ <u>43,477</u>	\$ <u>2,189,580</u>
Accounts payable - related parties (Note 28)		
Operating	\$ <u>60,144</u>	\$ <u>168,653</u>

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

17. OTHER PAYABLES - UNRELATED PARTIES

	<u>December 31</u>	
	2018	2017
Payables for receipts under custody	\$ 2,275,372	\$ -
Payables for circulation	188,726	277,266
Payables for salaries or bonuses	59,727	61,412
Payables for value-added taxes	52,968	47,979
Payables for compensation of employees, board of director and supervisors	37,537	32,963
Payables for annual leave	9,796	10,504
Others	<u>50,041</u>	<u>66,781</u>
	<u>\$ 2,674,167</u>	<u>\$ 496,905</u>

Payables for receipts under custody are receipts needed to be transferred to the game operators as the Corporation 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.

18. OTHER FINANCIAL LIABILITIES - CURRENT

	December 31	
	2018	2017
Other financial liabilities - current		
Temporary receipts from the sale of MyCard	<u>\$ 687,411</u>	<u>\$ -</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, the receipts were recognized as "Advance receipts" that amounted to \$721,327 thousand.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Law of the ROC, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation makes contributions equal to 2% of total monthly salaries to a pension fund, which are deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Corporation 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 Corporation 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 Corporation has no right to influence the investment policy and strategy.

The amount of defined benefit plans included in the parent company only balance sheets was as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 104,965	\$ 103,836
Fair value of plan assets	<u>(23,486)</u>	<u>(23,786)</u>
Deficit	81,479	80,050
Recognized in other payables	<u>(137)</u>	<u>(118)</u>
Net defined benefit liabilities	<u>\$ 81,342</u>	<u>\$ 79,932</u>

Movements of net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	<u>\$ 104,284</u>	<u>\$ (22,069)</u>	<u>\$ 82,215</u>
Service cost			
Current service cost	556	-	556
Interest expense (income)	<u>1,434</u>	<u>(313)</u>	<u>1,121</u>
Recognized in profit or loss	<u>1,990</u>	<u>(313)</u>	<u>1,677</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	94	94
Actuarial loss - changes in demographic assumptions	2,629	-	2,629
Actuarial loss - experience adjustments	<u>(627)</u>	<u>-</u>	<u>(627)</u>
Recognized in other comprehensive income	<u>2,002</u>	<u>94</u>	<u>2,096</u>
Contributions from the employer	-	(5,938)	(5,938)
Benefits paid	<u>(4,440)</u>	<u>4,440</u>	<u>-</u>
	<u>(4,440)</u>	<u>(1,498)</u>	<u>(5,938)</u>
Balance at December 31, 2017	<u>103,836</u>	<u>(23,786)</u>	<u>80,050</u>
Service cost			
Current service cost	524	-	524
Past service cost	2,423	-	2,423
Interest expense (income)	<u>1,428</u>	<u>(336)</u>	<u>1,092</u>
Recognized in profit or loss	<u>4,375</u>	<u>(336)</u>	<u>4,039</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(649)	(649)
Actuarial loss			
changes in demographic assumptions	903	-	903
changes in financial assumptions	1,642	-	1,642
experience adjustments	<u>4,418</u>	<u>-</u>	<u>4,418</u>
Recognized in other comprehensive income	<u>6,963</u>	<u>(649)</u>	<u>6,314</u>
Contributions from the employer	-	(8,924)	(8,924)
Benefits paid	<u>(10,209)</u>	<u>10,209</u>	<u>-</u>
	<u>(10,209)</u>	<u>1,285</u>	<u>(8,924)</u>
Balance at December 31, 2018	<u>\$ 104,965</u>	<u>\$ (23,486)</u>	<u>\$ 81,479</u>

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

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor

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 government and corporate 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 plan's 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 obligations were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate (%)	1.250	1.375
Expected rate of salary increase (%)	2.500	2.500

If possible reasonable change 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		
0.25% increase	<u>\$ (3,266)</u>	<u>\$ (3,335)</u>
0.25% decrease	<u>\$ 3,407</u>	<u>\$ 3,485</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 3,311</u>	<u>\$ 3,389</u>
0.25% decrease	<u>\$ (3,190)</u>	<u>\$ (3,261)</u>

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

	December 31	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 1,320</u>	<u>\$ 1,320</u>
The average duration of the defined benefit obligation (year)	13.0	13.1

20. EQUITY

a. Ordinary share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	180,000	180,000
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Number of shares issued and fully paid (in thousands)	\$ 127,474	\$ 127,474
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
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	59,351	-
May be used to offset deficits only (see 2 below)		
Treasury share transactions	10,359	-
Changes in percentage of ownership interests in subsidiaries	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>

- 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 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 22 (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 industry in order to pursue sustainable operations and long-term benefits for the 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 the 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:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2017	2016	2017	2016
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 appropriations of earnings for 2018 had been proposed by the board of directors on March 21, 2019 as follows:

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

The appropriations 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 Corporation had accrued an equal amount of special reserve.

e. Other equity items

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

	For the Year Ended December 31	
	2018	2017
Balance, beginning of year	\$ (20,585)	\$ 19,356
Effect of change in tax rate	(783)	-
Recognized for the year		
Exchange differences arising on translating the net investments in foreign operations	11,140	(44,330)
Related income tax arising from exchange differences	(2,173)	7,490
Share from subsidiaries and associates accounted for using the equity method	<u>1,034</u>	<u>(3,101)</u>
Balance, end of year	<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	\$ -
Adjustment on initial application of IFRS 9	<u>153,999</u>
Balance at January 1 per IFRS 9	153,999
Recognized for the year	
Unrealized gain - equity instruments	25,966
Share from subsidiaries accounted for using the equity method	<u>(5,520)</u>
Balance at December 31	<u>\$ 174,445</u>

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

	For the Year Ended December 31, 2017
Balance at January 1, 2017	\$ 308,623
Recognized for the year	
Unrealized loss	(73,478)
Share from subsidiaries accounted for using the equity method	(13,496)
Reclassification adjustment	
Disposal of available-for-sale financial assets	<u>(67,650)</u>
Balance at December 31, 2017	<u>\$ 153,999</u>

f. 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					
The Corporation's shares held by subsidiaries	<u>-</u>	<u>5,347</u>	<u>17</u>	<u>5,330</u>	<u>\$ 449,303</u>

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, which was recognized as capital surplus. As of December 31, 2018, the market value of the treasury shares calculated by the combined shareholding percentage was \$353,896 thousand.

21. REVENUE

a. Contract information

	For the Year Ended December 31, 2018
Revenue from contracts with customers	
Rendering of services	\$ 2,149,988
Sale of goods	229,900
Licensing revenue	<u>22,575</u>
	<u>\$ 2,402,463</u>

1) Rendering of services

Revenue from the rendering of services includes services for usage of the MyCard online platform and from the sale of points, and other revenue from the rendering of services. Refer to Note 4 for the 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) 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 Corporation'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) Licensing revenue

The Corporation 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>\$ 2,029,039</u>
Contract liabilities	
Advance receipts of services	\$ 49,253
Royalty fee for games	35,577
Others	<u>1,508</u>
	<u>\$ 86,338</u>

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

22. PROFIT BEFORE INCOME TAX

Profit before income tax consist of the following items:

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	\$ 18,551	\$ 17,811
Rental income	5,099	5,949
Dividend income		
Financial assets at fair value through other comprehensive income	1,668	-
Available-for-sale financial assets	-	4,853
Others	<u>11,794</u>	<u>5,879</u>
	<u>\$ 37,112</u>	<u>\$ 34,492</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 gain (loss)	13,401	(3,076)
Loss on miscellaneous disbursements	<u>(1,085)</u>	<u>(1,465)</u>
	<u>\$ 12,316</u>	<u>\$ 63,109</u>

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 5,238	\$ 6,142
Intangible assets	<u>23,502</u>	<u>18,468</u>
	<u>\$ 28,740</u>	<u>\$ 24,610</u>
An analysis of depreciation by function		
Operating costs	\$ 265	\$ 329
Operating expenses	<u>4,973</u>	<u>5,813</u>
	<u>\$ 5,238</u>	<u>\$ 6,142</u>
An analysis of amortization by function		
Operating costs	\$ 4	\$ 5
Operating expenses	<u>23,498</u>	<u>18,463</u>
	<u>\$ 23,502</u>	<u>\$ 18,468</u>

d. Employee benefits

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	<u>\$ 354,042</u>	<u>\$ 356,108</u>
Post-employment benefits		
Defined contribution plans	12,722	12,764
Defined benefit plans (Note 19)	<u>4,039</u>	<u>1,677</u>
	<u>16,761</u>	<u>14,441</u>
Employee benefits expense	<u>\$ 370,803</u>	<u>\$ 370,549</u>
An analysis by function		
Operating costs	\$ 27,713	\$ 26,580
Operating expenses	<u>343,090</u>	<u>343,969</u>
	<u>\$ 370,803</u>	<u>\$ 370,549</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 employee's 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:

	For the Year Ended December 31	
	2018	2017
<hr/>		
Accrual rate		
Employees' compensation (%)	5	5
Remuneration of directors and supervisors (%)	1	1
<hr/>		
Amount		
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 parent company only 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 parent company only 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.

f. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	\$ 16,299	\$ 18,235
Foreign exchange losses	<u>(2,898)</u>	<u>(21,311)</u>
Net gain (loss)	<u>\$ 13,401</u>	<u>\$ (3,076)</u>

23. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 111,255	\$ 90,325
Income tax on unappropriated earnings	12,028	11,743
Adjustments for prior years	<u>40</u>	<u>277</u>
	<u>123,323</u>	<u>102,345</u>
Deferred tax		
In respect of the current year	6,599	(3,281)
Effect of tax changes	<u>(3,167)</u>	<u>-</u>
	<u>3,432</u>	<u>(3,281)</u>
Income tax expense recognized in profit or loss	<u>\$ 126,755</u>	<u>\$ 99,064</u>

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2018	2017
Profit before income tax	<u>\$ 588,077</u>	<u>\$ 516,622</u>
Income tax expense calculated at the statutory rate	\$ 117,615	\$ 87,826
Non-deductible expenses in determining taxable income	1,893	12,275
Tax-exempt income	(334)	(12,325)
Realized investment losses	(1,301)	(1,529)
Income tax on unappropriated earnings	12,028	11,743
Others	(19)	797
Effect of tax rate changes	(3,167)	-
Adjustments for prior years' tax	<u>40</u>	<u>277</u>
Income tax expense recognized in profit or loss	<u>\$ 126,755</u>	<u>\$ 99,064</u>

In 2017, the applicable corporate income tax rate used by the Corporation in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of appropriations of earnings for 2019 is uncertain, the potential income tax consequences of 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		
Translation of foreign operations	\$ (783)	\$ -
Remeasurement on defined benefit plan	693	-
Recognized during the period		
Translation of foreign operations	(2,173)	7,490
Remeasurement on defined benefit plan	<u>1,263</u>	<u>357</u>
	<u>\$ (1,000)</u>	<u>\$ 7,847</u>

c. Current tax liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	<u>\$ 77,893</u>	<u>\$ 69,610</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2018

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 13,896	\$ 724	\$ 1,956	\$ 16,576
Bad debts over limits	7,181	2,257	-	9,438
Loss on inventories	2,502	242	-	2,744
Unrealized losses on the transactions with subsidiaries	2,732	(2,732)	-	-
Others	<u>5,235</u>	<u>871</u>	<u>-</u>	<u>6,106</u>
	<u>\$ 31,546</u>	<u>\$ 1,362</u>	<u>\$ 1,956</u>	<u>\$ 34,864</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Gain from foreign investments accounted for using the equity methods	\$ 9,664	\$ 4,652	\$ -	\$ 14,316
Exchange differences on translating the financial statements of foreign operations	4,436	-	2,956	7,392
Others	<u>8</u>	<u>142</u>	<u>-</u>	<u>150</u>
	<u>\$ 14,108</u>	<u>\$ 4,794</u>	<u>\$ 2,956</u>	<u>\$ 21,858</u>

For the year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 14,263	\$ (724)	\$ 357	\$ 13,896
Bad debts over limits	5,157	2,024	-	7,181
Loss on inventories	2,678	(176)	-	2,502
				(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Unrealized losses on the transactions with subsidiaries	3,184	(452)	-	2,732
Others	<u>6,192</u>	<u>(957)</u>	<u>-</u>	<u>5,235</u>
	<u>\$ 31,474</u>	<u>\$ (285)</u>	<u>\$ 357</u>	<u>\$ 31,546</u>
<hr/>				
Deferred tax liabilities				
Temporary differences				
Gain from foreign investments accounted for using the equity methods	\$ 12,839	\$ (3,175)	\$ -	\$ 9,664
Exchange differences on translating the financial statements of foreign operations	11,926	-	(7,490)	4,436
Others	<u>399</u>	<u>(391)</u>	<u>-</u>	<u>8</u>
	<u>\$ 25,164</u>	<u>\$ (3,566)</u>	<u>\$ (7,490)</u>	<u>\$ 14,108</u> (Concluded)

e. Income tax assessments

The Corporation's income tax returns through 2016 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

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

a. Net profit for the year

	For the Year Ended December 31	
	2018	2017
Net profit for the year	<u>\$ 461,322</u>	<u>\$ 417,558</u>

b. Weighted average number of ordinary shares outstanding (in thousands 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 to employees	<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 Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed that the entire amount of the compensation 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.

25. CAPITAL MANAGEMENT

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

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

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

26. OPERATING LEASE ARRANGEMENTS

The Corporation as lessee

Operating leases relate to leases of operating offices, and the leases will gradually expire in December 2023 in succession. When the lease terms expire, the Corporation is able to renew the lease contracts.

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

	December 31	
	2018	2017
Not later than 1 year	\$ 9,284	\$ 10,163
Later than 1 year and not later than 3 year	<u>6,826</u>	<u>5,377</u>
	<u>\$ 16,110</u>	<u>\$ 15,540</u>

27. FINANCIAL INSTRUMENTS

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

The Corporation's management considers the carrying amounts of financial instruments that are not measured at fair value to 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 security investments in equity instruments	\$ 117,474	\$ -	\$ -	\$ 117,474
Private - placement shares of domestic listed companies	-	149,600	-	149,600
Foreign unlisted shares	-	-	45,500	45,500
	<u>\$ 117,474</u>	<u>\$ 149,600</u>	<u>\$ 45,500</u>	<u>\$ 312,574</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed marketable security investments in equity instruments	\$ 128,708	\$ -	\$ -	\$ 128,708
Private - placement shares of domestic listed companies	-	112,400	-	112,400
	<u>\$ 128,708</u>	<u>\$ 112,400</u>	<u>\$ -</u>	<u>\$ 241,108</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Private - placement shares of domestic listed companies	Fair value is determined by 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 referring to the price over market evidence or net value.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (1)	\$ -	\$ 5,785,387
Available-for-sale financial assets (2)	-	286,608
Financial assets at amortized cost (1)	5,948,623	-
Financial assets at FVTOCI	312,574	-
Financial liabilities		
Amortized cost (3)	3,886,697	3,032,375

- 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 (including related parties), 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 notes and accounts payable (including related parties), other payables (including related parties), other financial liabilities - current, and guarantee deposits received.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include time deposits, equity investments, accounts receivable, accounts payable. The Corporation's corporate treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Corporation 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 Corporation's risk management committee.

1) Market risk

The Corporation'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 Corporation's foreign currency denominated monetary assets and monetary liabilities are set out in Note 31.

Sensitivity analysis

The Corporation is mainly exposed to the USD and HKD.

The following table details the Corporation'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 other equity, and the balances below would be negative.

	Impact on profit or loss	
	For the Year Ended December 31	
	2018	2017
USD	\$ 81	\$ 48
HKD	1,169	853

b) Interest rate risk

The carrying amounts of the Corporation'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	\$ 2,552,784	\$ 2,256,898

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for both derivative and 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 Corporation's pre-tax profit for the year ended December 31, 2018 and 2017 would increase/decrease by \$25,528 thousand and \$22,569 thousand, respectively, which was mainly attributable to the Corporation's variable-rate bank deposits and borrowings.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in domestic listed 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 \$3,126 thousand 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 \$2,411 thousand 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 Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to the failure of the counterparty to discharge its obligation provided by the Corporation, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

The Corporation'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 Corporation's concentration of credit risk accounted for 46% and 54% 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.

Liquidity risk for non-derivative financial liabilities

The following table details the Corporation'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 Corporation can be required to pay.

	Within 4 Months	At least 5 Months	Total
<u>December 31, 2018</u>			
Non-derivative financial liabilities			
Non-interest bearing liabilities	\$ 3,154,658	\$ 44,403	\$ 3,199,061
Financial guarantee contracts	<u>75,000</u>	<u>100,000</u>	<u>175,000</u>
	<u>\$ 3,229,658</u>	<u>\$ 144,403</u>	<u>\$ 3,374,061</u>
<u>December 31, 2017</u>			
Non-derivative financial liabilities			
Non-interest bearing liabilities	\$ 2,991,953	\$ 40,027	\$ 3,031,980
Financial guarantee contracts	<u>13,494</u>	<u>35,000</u>	<u>48,494</u>
	<u>\$ 3,005,447</u>	<u>\$ 75,027</u>	<u>\$ 3,080,474</u>

The aforementioned amounts of the financial guarantee contracts are the maximum amounts that the Corporation may have to pay to fulfill the guarantee obligations if the holder of the financial guarantee contract seeks the full guarantee amount from the guarantor. However, based on the expectations as of the balance sheet date, the Corporation believes that it is unlikely to pay the contract amount.

28. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Corporation and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
Chinese Gamer International Corporation (Chinese Gamer)	Subsidiaries
Game Flier International Corporation (Game Flier)	Subsidiaries
Game First International Corporation (Game First)	Subsidiaries
Soft-World International (Hong Kong) Corporation	Subsidiaries
Zealot Digital International Corporation	Subsidiaries
Dyansty International Information Corporation	Subsidiaries
Jorsen Technology Co., Ltd.	Subsidiaries
Pay2go Corporation (Pay2 go)	Subsidiaries
Fast Distributed Cloud Computing Co., Ltd.	Subsidiaries
Neweb Technologies Co., Ltd. (Neweb Technologies)	Subsidiaries
Efun International Co., Ltd.	Subsidiaries
Re: Ad Media (Taiwan) Corporation	Subsidiaries
CELAD Incorporated	Subsidiaries
Smartpath Digital Technology Co. Ltd.(Smartpath)	Subsidiaries
Game Topia. Co. Ltd. (Game Topia)	Subsidiaries of Chinese Gamer International Corporation
Dragon Gamer (Hong Kong) Co., Ltd. (Dragon Gamer)	Subsidiaries of Chinese Gamer International Corporation
Oriental Dragon Digital Co., Ltd.	Subsidiaries of Chinese Gamer International Corporation
Re: Ad Media (Hong Kong) Corporation	Subsidiaries of Re: Ad
ezPay Co., Ltd.	Subsidiaries of Neweb Technologies
Compete ! Games Interactive Entertainment Corporation	Subsidiaries of Game First International Corporation
Ijoing, Inc.	Associates
We Can Financial Technology Co., Ltd.	Associates
Taiwan Taomee Co., Ltd.	Associates
Loftstar Interactive Entertainment Inc.	Related party in substance (The Corporation as legal directors of subsidiaries of the investee companies, and resigned in June 2017)
Play picking technology	Related party in substance (The Corporation as legal directors of investee companies, and resigned in June 2017)

(Continued)

<u>Related Party Name</u>	<u>Related Party Category</u>
Fun Yours Technology Co., Ltd.	Related party in substance (The Corporation as legal directors of investee companies)
Asure Corporation	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) (Concluded)

b. Operating Revenues

For the year ended December 31, 2018

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31 2018</u>
Sale of goods	Related party in substance	\$ <u>2,368</u>
Rendering of services	Subsidiaries	\$ 199,196
	Associates	<u>10,318</u>
		<u>\$ 209,514</u>
Licensing revenue	Subsidiaries	<u>\$ 11,634</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 (bimonthly 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 Corporation was follows:

<u>Line Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31 2017</u>
Sale of goods	Subsidiaries	\$ 565,517
	Associates	4
	Related party in substance	<u>890,570</u>
		<u>\$ 1,456,091</u>

The Corporation recognized receipts in advance upon the sale of MyCard, and then recognized revenue when the customers used MyCard in exchange for specified goods or service 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	For the Year Ended December 31
		2017
Other operating revenue	Subsidiaries	\$ 93,900
	Associates	12,615
	Related party in substance	<u>25,953</u>
		<u>\$ 132,468</u>

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

c. Purchase of goods

	For the Year Ended December 31	
	2018	2017
<u>Related party type</u>		
Subsidiaries	\$ 29,521	\$ 1,003,134
Associates	1,123	52,064
Related party in substance	<u>9,566</u>	<u>16,215</u>
	<u>\$ 40,210</u>	<u>\$ 1,071,413</u>

Under the application of IFRS15, the Corporation shall be an agent in its exclusive card (MyCard) transaction. For detailed description, refer to Note 3 and Note 4 (I).

The Corporation purchases from related parties at prices and terms based on franchise agreements. The Corporation purchases 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.

The related revenue was recorded at the time of sale but intercompany profit was deferred and realized at the time the service was rendered by the subsidiaries. As of December 31, 2017, the unrealized gross profit was \$16,069 thousand.

d. Receivables (excluding loans receivable from related parties)

Line Items	Related Party Categories	December 31	
		2018	2017
Notes receivable - related parties	Subsidiaries	<u>\$ -</u>	<u>\$ 530</u>

(Continued)

Line Items	Related Party Categories	December 31	
		2018	2017
Accounts receivable - related parties	Subsidiaries		
	Chinese Gamer	\$ 21,002	\$ 23
	Game Flier	19,995	951
	Game Topia	18,539	192
	Others	<u>7,830</u>	<u>78,248</u>
		67,366	79,414
	Associates	603	125
	Related party in substance	-	30,580
		<u>\$ 67,969</u>	<u>\$ 110,119</u>
Other receivables - related parties	Subsidiaries	\$ 159,006	\$ 6,538
	Related party in substance	32,370	-
		<u>\$ 191,376</u>	<u>\$ 6,538</u>

(Concluded)

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

The outstanding accounts receivable from related parties were unsecured. There was no bad debt expense under the item of accounts receivable from related parties for the years ended December 31, 2018 and 2017.

e. Payables to related parties

Line Items	Related Party Categories	December 31	
		2018	2017
Notes payable - related parties	Subsidiaries		
	Game First	\$ 151,551	\$ 74,302
	Game Flier	-	62,536
	Others	<u>-</u>	<u>1,112</u>
		151,551	137,950
	Associates	5,449	6,749
	Related party in substance	689	688
		<u>\$ 157,689</u>	<u>\$ 145,387</u>
Accounts payable - related parties	Subsidiaries		
	Game First	\$ 48,880	\$ 89,228
	Others	<u>7,913</u>	<u>74,330</u>
		56,793	163,558
	Associates	1,180	2,923
	Related party in substance	2,171	2,172
		<u>\$ 60,144</u>	<u>\$ 168,653</u>

(Continued)

Line Items	Related Party Categories	December 31	
		2018	2017
Other payables - related parties	Subsidiaries	\$ 250,100	\$ 10,156
	Associates	<u>3,587</u>	<u>-</u>
		<u>\$ 253,687</u>	<u>\$ 10,156</u>
			(Concluded)

Other payables to related parties were mainly payables for the services the Corporation provided for the MyCard platform, services for the sale of game points, and payments remitted to games operators, etc.

The outstanding payables to related parties are unsecured.

f. Loans to related parties - 2018

Line Item	Related Party Category	December 31 2018
Other receivables - related parties	Subsidiaries	
Amount utilized	Neweb Technologies	\$ 30,000
Interest	Neweb Technologies	<u>495</u>
		<u>\$ 30,495</u>

Interest revenue

Related Party Category/Name	For the Year Ended December 31 2018
Subsidiaries	
Neweb Technologies	<u>\$ 495</u>

The loans to subsidiaries were unsecured, and the rates are fixed at 2.63%.

g. Endorsements and guarantees

Related Party Category/Name	December 31			
	2018		2017	
	Amount Endorsed	Amount Utilized	Amount Endorsed	Amount Utilized
Subsidiaries				
Smartpath	\$ -	\$ -	\$ 300,000	\$ 48,494
Pay2Go	-	-	90,000	-
Neweb Technologies	<u>280,000</u>	<u>175,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 280,000</u>	<u>\$ 175,000</u>	<u>\$ 390,000</u>	<u>\$ 48,494</u>

h. 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	\$ 15,314	\$ 14,616
Post-employment benefits	<u>109</u>	<u>113</u>
	<u>\$ 15,423</u>	<u>\$ 14,729</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR SECURITY

The following assets were provided as collateral for the letter of performance bond, the letter of performance bond for points, and endorsement guarantee collateral:

	December 31	
	2018	2017
Other financial assets - current		
Pledged demand deposits	\$ 17,359	\$ 33,999
Pledged time deposits	<u>-</u>	<u>35,000</u>
	<u>17,359</u>	<u>68,999</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>\$ 213,804</u>	<u>\$ 267,806</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As disclosed in Note 29, the Corporation 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 both \$800,000 thousand.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and the exchange rates between foreign currencies and respective functional currencies were disclosed.

The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
<hr/> December 31, 2018 <hr/>				
Financial assets				
Monetary items				
USD	\$ 406	30.715	(USD:NTD)	\$ 12,475
HKD	29,803	3.921	(HKD:NTD)	116,857
Non-monetary items				
Subsidiaries accounted for using the equity method				
HKD	131,320	\$ 3.921	(HKD:NTD)	514,906
SGD	911	22.48	(SGD:NTD)	20,479
Financial assets at fair value through other comprehensive income				
HKD	624	3.921	(HKD:NTD)	2,447
Financial liabilities				
Monetary items				
USD	141	30.715	(USD:NTD)	4,344
<hr/> December 31, 2017 <hr/>				
Financial assets				
Monetary items				
USD	468	29.76	(USD:NTD)	13,916
HKD	22,394	3.807	(HKD:NTD)	85,254
Non-monetary items				
Subsidiaries accounted for using the equity method				
HKD	128,090	3.807	(HKD:NTD)	487,639
SGD	1,059	22.26	(SGD : NTD)	23,584
Available-for-sale financial assets				
HKD	1,428	3.807	(HKD:NTD)	5,437
Financial liabilities				
Monetary items				
USD	307	29.76	(USD:NTD)	9,135

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains were a gain of \$13,401 thousand and a loss of \$3,076 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.

32. 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) Information on investees: Table 6
- 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 7
 - 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

TABLE 1

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEES

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
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
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
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	Note
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	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

Note: 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.

TABLE 2

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

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.

TABLE 3

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

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	
		-	Financial assets at fair value through other comprehensive income - noncurrent	3,140,671	17,342	20	17,342	
	Taiwan Smart Card Co.	-	Financial assets at fair value through other comprehensive income - noncurrent					
		-	Financial assets at fair value through other comprehensive income - noncurrent		<u>\$ 20,349</u>		<u>\$ 20,349</u>	

(Concluded)

Note: The Corporation's shares held by subsidiaries was considered treasury shares. For related information, refer to Note 20.

TABLE 4

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

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

TABLE 5

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

**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	-

TABLE 6

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

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
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
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
The Corporation	Global Concept Corporation	Samoa	Investment company	295,068	295,068	9,631,253	100.00	239,486	24,138	24,138	Subsidiary
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
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
The Corporation	Pay2go Technology Corporation	Republic of China	Third party payment service	-	490,567	-	-	-	(48,477)	(16,371)	Subsidiary
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
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
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
The Corporation	Jorsen Technology Co., Ltd	Republic of China	Wholesale, retail sale, and service for information software, etc.	-	3,400	-	-	-	796	686	Subsidiary (Note 2)
The Corporation	Jhih 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
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
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
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
The Corporation	Re: Ad Media Corporation	Samoa	Investment company	5,247	10,759	161,670	51.00	6,538	4,026	2,051	Subsidiary
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
The Corporation	Interactive Entertainment Technology Co., Ltd.	Samoa	Investment company	15,485	15,485	480,000	80.00	15,424	38	30	Subsidiary
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

(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	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 service	510,567	-	56,232,998	50.00	445,132	(81,096)	(36,662)	Subsidiary
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
The Corporation	Efun International Corporation	Republic of China	Information software and data processing service	77,270	-	7,726,988	89.00	122,877	51,423	43,461	Subsidiary
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
The Corporation	Re: Ad Media (Taiwan) Corporation	Republic of China	General advertising service	14,094	-	1,275,000	51.00	21,241	7,083	1,844	Subsidiary
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
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
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
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
Chinese Gamer International Corporation	Jhih Long Venture Capital Corporation	Republic of China	Investment company	100,000	100,000	10,000,000	13.00	81,192	4,379	424	Subsidiary
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
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
Chinese Gamer International Corporation	Game Topia Co.	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

(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	\$ 8,000	800,000	53.00	\$ 3,969	\$ (6,891)	\$ (3,627)	Subsidiary
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
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
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
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
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
Global Concept Corporation	Value Central Corporation	Samoa	Investment company	45,452	45,452	1,450,000	100.00	20,076	-	-	Subsidiary
Global Concept Corporation	Fast Distributed Cloud Computing (Samoa) Co., Ltd.	Samoa	Investment company	-	6,611	-	-	-	784	784	Subsidiary (Note 2)
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
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
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
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
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
Game First International Corporation	Game First Asia Pte. Ltd.	Singapore	Online game service	-	16,463	-	-	-	-	-	Subsidiary (Note 2)
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
Efun International Co., Ltd.	Efun International Corporation	Republic of China	Information software and data processing services	-	28,000	-	-	-	51,423	2,420	Subsidiary
Jhih 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 (Taiwan) Corporation	Republic of China	General advertising service	-	5,000	-	-	-	7,083	3,467	Subsidiary
Re: Ad Media Corporation	Re:Ad (Hong Kong) Corporation	Hong Kong	General advertising service	-	5,091	-	-	-	3	3	Subsidiary (Note 2)
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
Long Xiang Investment Corporation	Jhih Long Venture Capital Corporation	Republic of China	Investment company	566,000	-	56,600,000	74.00	572,172	4,379	3,531	Subsidiary
Neweb Technologies Co., Ltd.	Smartpath Digital Technology Co., Ltd.	Republic of China	Third party payment services	-	-	-	-	-	10,185	5,222	Subsidiary (Note 4)
Neweb Technologies Co., Ltd.	Newebpay Corporation	Republic of China	Electronic data providing services	28,369	-	1,000,000	100.00	230,010	4,394	3,927	Subsidiary
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 (Note 5)
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 (Note 5)

(Continued)

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: 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 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: For investees in mainland China, refer to Table 7.

(Concluded)

TABLE 7

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

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 operation and advertising, consulting about technique, development of APP, design of computer software, and other design service	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.

VI. If the company or any of its affiliated companies had, in the recent years up until the publishing of this annual report, experienced financial distress, the impacts to the company's financial status must be disclosed: None.

VII. Review of financial status, business performance, and risk management issues

I. Financial status

Unit: NT\$ thousands

Item \ Year	2018	2017	Variation		Analysis of variance in increase/decrease
			Increase (decrease) in amount	Variation Ratio %	
Current assets	10,780,940	10,158,265	622,675	6.13	-
Property, plant, and equipment	423,285	390,129	33,156	8.50	-
Intangible assets	518,941	127,709	391,232	306.35	Note 1
Other assets	672,527	631,283	41,244	6.53	-
Total assets	12,395,693	11,307,386	1,088,307	9.62	-
Current liabilities	5,483,499	4,781,359	702,140	14.68	-
Non-current liabilities	162,472	107,086	55,386	51.72	Note 2
Total liabilities	5,645,971	4,888,445	757,526	15.50	-
Capital stock	1,274,743	1,274,743	0	0.00	-
Capital surplus	1,744,934	1,529,865	215,069	14.06	-
Retained earnings	2,936,814	2,735,203	201,611	7.37	-
Other equity	163,078	133,414	29,664	22.23	Note 3
Treasury stock	(449,303)	0	(449,303)	100.00	Note 4
Equity of the parent company	5,670,266	5,673,225	(2,959)	(0.05)	-
Non-controlling interest	1,079,456	745,716	333,740	44.75	Note 5
Total shareholders' equity	6,749,722	6,418,941	330,781	5.15	-

Analyze and describe ratio changes over 20% and with an amount exceeding NT\$10 million.

Note 1: Intangible assets increased due to the goodwill acquired from the reverse acquisition of Neweb Technologies Co., Ltd.

Note 2: Non-current liabilities increased as the guarantee deposit received increased.

Note 3: Other equity increased as the unrealized gains and losses of financial assets measured at FVTOCI increased.

Note 4: The number of treasury stocks increased as subsidiaries held the stock of this company.

Note 5: Non-control equity increased due to the reverse acquisition of Neweb Technologies Co., Ltd.

II. Financial Performance

Unit: NT\$ thousands

Item \ Year	2018	2017	Variation	
			Increase (decrease)	Variation (%)
Operating revenue	5,552,667	15,611,929	(10,059,262)	(64.43)
Operating cost	2,451,317	12,908,608	(10,457,291)	(81.01)
Gross profit	3,101,350	2,703,321	398,029	14.72
Operating expenses	2,515,524	2,291,827	223,697	9.76
Net income	585,826	411,494	174,332	42.37
Non-operating revenues and expenses	67,054	82,053	(14,999)	(18.28)
Net profit before taxation	652,880	493,547	159,333	32.28
Income tax	180,861	126,269	54,592	43.23
Net income	472,019	367,278	104,741	28.52
Other comprehensive income for the period (post-tax profit or loss)	28,011	(190,042)	218,053	(114.74)
Current period other comprehensive income (Gross)	500,030	177,236	322,794	182.13
(I) Description of ratio changes over 20% and with an amount exceeding NT\$10 million.				
<ol style="list-style-type: none"> 1. Revenue reduced after recognizing the income from MyCard as net revenue in accordance with IFRS 15. 2. Operating cost reduced after recognizing the income from MyCard as net revenue in accordance with IFRS 15. 3. Net profit increased as the income from game operations, cash flow, and advertising income increased. 4. Net profit before tax increased as revenue increased. 5. Income tax expense increased as revenue increased. 6. Other comprehensive income (net after tax) as the unrealized valuation gains of financial assets measured at FVTOCI increased. 7. Total comprehensive income increased as profit and unrealized valuation gains of financial assets measured at FVTOCI increased. 				
(II) Expected sales and the basis of estimation, the likely impacts on The Company's future financial position, and responsive plans:				
<ol style="list-style-type: none"> 1. Expected sales in the next year and basis for this projection: Revenue of this company mainly comes from game software (including online games), software magazines, royalties and licensing fees, and advertising. As we do not make a financial forecast, no sales volume has been estimated. 2. Potential impacts on finance in the future and countermeasures: We will continue to expand sales channels and product ranges to increase the scale of operations. 				

III. Cash flow

(I) Changes of cash flow in current year analysis:

Unit: NT\$ thousands

Beginning of year cash balance	Expected net operating cash flow for the whole year	Annual net cash flow from investing and financing activities	Foreign exchange impact amount	Cash Balance	Plans to improve liquidity	
					Investment plans	Financing Plan
4,805,007	1,024,125	(729,178)	(45,553)	5,054,401	None	None

Unit: NT\$ thousands

Item \ Year	2018 Cash Inflow (outflow)	2017 Cash Inflow (outflow)	Variation (%)
Operating activities	1,024,125	862,944	18.68
Investing activities	66,953	(758,794)	(108.82)
finance activities	(796,131)	(242,903)	227.76
Foreign exchange impact amount	(45,553)	(51,435)	(11.44)
Net cash increase (reduction)	249,394	(190,188)	(231.13)

Analysis of variance in increase/decrease:

1. Investing cash inflow increased as other financial assets reduced after gaining net cash inflow of the subsidiary acquired and value from disposing the subsidiary.
2. Financing cash outflow increases after subsidiaries purchased the stock of this company.
3. Net cash increase increased as the operating cash inflow increased.

(II) Plans to improve cash flow liquidity:

As the sum of cash and cash equivalents at the end of 2018 was NT\$5,054,401,000, there was no liquidity shortfall.

Liquidity analysis:

Item \ Year	2018	2017	Variation (%)
Cash flow ratio %	18.68	18.05	3.48
Cash flow adequacy ratio %	206.32	181.56	13.64
Cash flow reinvestment ratio %	12.54	9.79	28.15

Analysis and description of ratio changes (changes below 20% and with an amount below NT\$10 million were eliminated.)

- (1) Cash reinvestment ratio: as the net cash inflow from business activities in 2018 increased.

(III) Liquidity analysis for the next year:

Unit: NT\$ thousands

Cash balance – beginning (1)	Projected cash inflows from operation of the year (2)	Expected cash outflow for the year (3)	Cash surplus (deficit) (1)+(2)-(3)	Financing of cash deficits	
				Investment plans	Finance plans
5,054,401	1,050,000	226,000	5,878,401	-	-

Cash flow analysis for the next year

Operating: It is expected online game heat will continue in the next year. We will enhance market operations to increase profit contribution of the period.

Investing: To coordinate with the collaboration with game developers, introduction of new games, and incessant innovation and R&D of new games, we will increase investments in subsidiaries and related R&D areas.

Financing: Except for cash dividend, no significant change is expected in the next year.

As the estimated sum of cash and cash equivalent at the end of 2019 will be NT\$5,878,401,000, there will be no liquidity shortfall.

IV. Material capital expenditures in the latest year and impacts on business performance: None.

V. The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year

Reinvestment Analysis

Item	Remark	Sum of initial investment (thousand)	Policies	Main causes of profit or loss	Remedy	Other future investment plans
CHINESE GAMER INTERNATIONAL CORPORATION		391,447	Diversify operations to synergize vertical integration	The 2018 net profit of that company was NT\$38,970,000, with an EPS of NT\$0.45. Launched the optimized Japanese RPG mobile game <i>Code: Reborn</i> in June 2018. After years of transformation and rethinking, it successfully transplanted classic PC games to mobile games. In September, it launched <i>Warriors of Fate M</i> , a perfect adaptation of <i>Warriors of Fate Online</i> , an MMORPG based on <i>Romance of the Three Kingdoms</i> with animated characters. The mobile version of <i>Warriors of Fate</i> immediately won the praise of gamers and was a brilliant success. Two classic games: <i>Love Box M</i> and <i>Wong Yee M</i> will be masterpieces and will launch in 2019.	Focusing on mobile game innovation and R&D, a range of new independently developed mobile games will be launched this year.	Subject to the status of operations.
Gameflieger International Corporation		217,834	Diversify operations to synergize vertical integration	The 2018 net profit of that company was NT\$8,178,000. Introduced in 2018 the large MMO tank battle game <i>Crossout</i> and a range of mobile games: <i>One Hundred Thousand Bad Jokes-Side Story</i> , <i>Battle Dragon</i> , <i>Absolute Territory</i> , etc. It also introduced revised popular games in its product range, as well as a wide range of activities to provide gamers with a range of game choices and localized professional services.	Apart from striving for distributing domestic and international quality games, it will improve its operational strategies to improve the performance of existing online game products.	Subject to the status of operations.
Game First International Corporation		27,813	Diversify operations to synergize vertical integration	The 2018 net profit of that company was NT\$25,265,000. Game First International Corporation also expanded the scope of operations with respect to the game development trend. Apart from investing in game value added services including customer service and social media operations, it began to link with 300 internet cafés in Taiwan, Hong Kong, and Macau to plan the largest offline game competition “MyCard Cybercafe League, MCL” to launch competitions for a range of popular games in collaboration with various game developers, in order to build a high-standard e-sports platform for all.	Apart from striving for distribution of domestic and international quality games, it will provide game customer service and operate social media.	Subject to the status of operations.
Soft-World (Hong Kong) International Corporation		88,858	Diversify operations to synergize vertical integration	The 2018 net profit of that company was NT\$13,121,000. GTC sales in Hong Kong and Macau are the main source of income.	Continue with market expansion.	Subject to the status of operations.
Zealot Digital		50,874	Diversify	The 2018 net profit of that company	Focusing on	Subject to

Item	Remark	Sum of initial investment (thousand)	Policies	Main causes of profit or loss	Remedy	Other future investment plans
International Corporation			operations to synergize vertical integration	was NT\$6,947,000. With over 20 years of experience in game art and rich know-how of asset creation, Zealot Digital International has actively engaged in game art production in recent years, with specialization in producing 2D/3D characters and scenes, actions/special effects, and GUIs. In 2018, it won game art production contracts from two South Korean game developers, four Japanese game developers, and over a dozen game developers in Chinese-speaking regions.	mobile game innovation and R&D, a range of new independently developed mobile games will be launched this year.	the status of operations.
Neweb Technologies Co., Ltd.		510,567	Diversify operations to synergize vertical integration	The 2018 net profit of that company was NT\$81,096,000. Apart from continuously expanding the scale of the payment and collection transfer business and developing the featured “ezAIO” smart payment service platform, it will actively introduce the “ezPay” e-wallet service to open up all offline channels and develop multiple payment gateway applications to expand the scale of economy and boost membership growth.	Continue with market expansion.	Subject to the status of operations.
Soft-World Technology Pte.Ltd.		24,102	Global deployment	The 2018 net profit of that company was NT\$3,331,000. Enhance MyCard competitiveness in Southeast Asia and attract more upstream suppliers to achieve the vision of “No. 1 GTC in Asia.” Therefore, that company will actively cultivate the Southeast Asia market and collaborate with worldwide platforms and channels to make MyCard more popular.	Continue with market expansion.	Subject to the status of operations.
Joy Children Technology Co., Ltd.		20,512	Diversify operations to synergize vertical integration	The 2018 net profit of that company was NT\$3,982,000. That company focuses on entertainment products for children and youth, including the R&D of edutaining software, design of edutaining products, and wholesale and trading of imported educational toys and products.	Continue with market expansion.	Implement through progressive planning.
Fast Distributed Cloud Computing (Taiwan) Co., Ltd.		17,583	Diversify operations to synergize vertical integration	The 2018 net profit of that company was NT\$15,032,000.	Continue with market expansion.	Subject to the status of operations.
Sofaman Technologies Co., Ltd.		2,766	Diversify operations to synergize vertical integration	The 2018 net profit of that company was NT\$5,197,000.	Continue with market expansion.	Subject to the status of operations.

VI. Risks and assessment in the previous year and by the date of publication of this report

- (I) The impact of changes in interest rate, exchange rate, and inflation on the Company's profit or loss in recent years to the date this report was printed, and future response measures
1. Impacts of interest rate variations to The Company's profit and loss, and responsive measures in the future:
While the volatility both the exchange rate and the interest rate (including deposits and loans) is mild, and the share of income from interest is low in both operating profit and net profit before tax, the influence on income of changes in the interest rate and exchange rate is low.
 2. Impacts of exchange rate variations to The Company's profit and loss, and responsive measures in the future
Hong Kong is our major exporting market, with a foreign exchange gain of NT\$18,621,000 in 2018, accounting for 0.33% of net revenue. Apart from keeping close contacts with trading banks, our financial unit keeps track of the trend of exchange rate changes by capturing information from financial news reports and economic research reports, in order to reduce the influence on revenue and profit of the risk of exchange rate volatility.
 3. Impacts of inflation to The Company's profit and loss, and responsive measures in the future:
Currently, although commodity prices rise due to inflation, entertainment remains part of daily life. As free-to-play games have become a recent trend, changing the focus from the game time to game props is more profitable. Therefore, the influence of inflation on income is limited.
- (II) Policies on high risk and highly leveraged investments, loans to others, endorsements / guarantees, and the trading of derivative instruments; describe the main causes of profit or loss and responsive measures in the future:
1. We do not engage in high-risk and high-leverage investments, and derivatives investments.
 2. Capital lending, endorsements, and guarantees are carefully assessed and must conform with the "Capital Lending Regulations" and "Endorsements and Guarantees Regulations" and be approved by BOD prior to implementation.
By the end of 31 December 2018, the BOD has passed capital lending for Fast Distributed Cloud Computing Co., Ltd. and Neweb Technologies Co., Ltd. amounting to NT\$16,000,000 and NT\$30,000,000 respectively.
By the end of 31 December 2018, the BOD has passed the endorsement for Neweb Technologies Co., Ltd. amounting to NT\$280,000,000.
- (III) Future research and development plans, and the projected expenses:
1. Future R&D:
Apart from building engine tools in conformity with the 2.0 process for developing next-generation 3D mobile games as the master framework, we have planned and built processes required for developing AR/VR games and for designing tools and processes in relation to art and planning integration and implementation for efficient operation and cost-cutting; and integrate the framework of resource management by combining with new-generation programs, in order to mass-produce cross-platform and cross-type games using the same basic architecture through cost control.
Advantages of independent development of engine tools:
(1) The specifications of the core engine can match processes with standard capacity and teams with standard habits to succeed existing practical experience to quickly develop game projects.
(2) Tools built through engine extension can fully match the internal communication specifications of planning and art. Terms used in the forms are found in familiar

process structure to ensure effortless practice, operation, and subsequent verification.

- (3) Independently developed engines are more innovative and have higher debug efficiency. They enable new module customization and quick response to adjustment and optimization based on the creative ideas of game products or the requirements of cross-platform processes.
- (4) Resource management in independently developed engines emphasis advantages including sustainability and module experience accumulation. These advantages can ease the worries about core technology discontinuity after a R&D personnel change. Apart from enabling process control and product risk monitoring among project managers, tool standardization secures core technology continuity.
- (5) Sharing basic architecture among product games enables effortless data transmission and conversion. This favors the developing, integration, and maintenance of cross-platform, e.g. PC, mobile, app, and AR/VR, game products and empowers us to challenge our keen platform competition in the next round.

Due to geographical convenience, we embark on in-depth collaboration with universities in southern Taiwan to exchange game development technology, share information in relation to operations and marketing, cultivate local digital talent, build the largest cultural, creative, and R&D base for game development, art design, and multimedia production in southern Taiwan. With the lower-cost of southern Taiwan that favors cost control, we create products with more competitive and more profitable cultural and creative contents.

2. Estimated amount of R&D investment

In 2019, all R&D projects of the group will continue, and the estimated amount of investments is NT\$350 million.

- (IV) The effect of major changes in policies and legal practices, whether domestic or foreign, to the company's financial and business performance, and the responsive actions:

Our management team keeps close track on any policies and laws and regulations at home and abroad that may potentially influence our finance and business. The team has also established related risk management procedures.

By the date of publication of this report, there was no significant negative influence caused by changes in policies and laws and regulations.

We operate finance and business by law. Therefore, it is expected that no significant changes in policies and laws at home or abroad will affect our finance and business in the coming year.

- (V) Effects of technological and industrial changes to the company's financial and business performance, and the responsive actions:

1. The increase in wired and wireless broadband subscriptions and the popularization of high-standard, reasonably priced home desktops and laptops, mobile devices (e.g. smartphones and tablets), and wearables will continue to be the main drive for consumers to subscribe to online games, mobile games, and AR/VR games.
2. The constant pursuit of quality and content that is more diversified and entertaining has become a basic requirement for online games and mobile games. In addition, system service stability, game ecosystem balance, the developer's attitude and speed of service for gamers, and the protection of the personal information of consumers will be the keys to success in the online and mobile game markets.
3. Consumers have raised their demand for game effects from 2D to 3D, and even towards AR/VR. We have a number of 2D and 3D engine tools and constantly improve engine functions to cope with the demand for game diversity and future trends.
4. To cope with constant technological changes, we keep upgrading our technical capacity and adjusting operational strategies to adapt to changes in the game industry.

A shift from charge by game time to free-to-play games with item sales has become a trending consumption pattern. By making quick and appropriate responses to the changing consumption pattern, we have maintained continuous growth in recent years.

5. Thanks to the popularization of the application services of broadband and mobile communication, online games and mobile games have become the first entertainment choice for young people. Homebody entertainment driving the homebody economy makes more space for the growth of game industry. Given the global game market's rapid changes, Taiwan market's limited appetite, and the business' white-hot competition, overseas market cultivation will be the prime target of game developers. Therefore, to increase global visibility will be our future target.
 6. Significant improvement has been seen in both the quantity and quality of broadband following the 4G popularization and the expectations of 5G. In terms of quantity, the demand for mobile game contents will explode. In terms of quality, heavyweight or large quality mobile games will become the mainstream after lightweight mobile games have gone to the red sea market. Therefore, developing next-generation mobile games emphasizing high-speed engagement, high interactivity, and high resolutions will be the important issues and challenges for all game developers, including us.
 7. In third-party payments, the annual growth rate of the global mobile payment market will be over 30%. In particular, Asia Pacific will be the world's largest market for mobile payment. Mobile payment has just begun in Taiwan when service providers began operations in 2017. Therefore, third-party payment competition will only begin in the e-commerce market. As the mobile payment service in Taiwan has entered the "warring period," following the principle that "the big ones get bigger" in business competition, and mergers and acquisitions will be the only options for survival and growing stronger in the competition.
- (VI) Impacts of changes in corporate image to the company's crisis management, and the responsive measures:
In addition to professional quality and ethical management principles, we spare no effort to carry out CSR in business operations in order to develop a sound market presence. Our listing on Taipei Exchange (TPEX, formerly Gre Tai Securities Market) in 2001 also helps raise our market presence. In the future, we will continue to carry out CSR as a listed company and seek the biggest interest for shareholders and employees. Therefore, the foreseeable risks have not been seen so far.
- (VII) The expected benefits from mergers and acquisitions, the potential risks associated, and the responsive measures:
By the date of publication of this report, no merger or acquisition activity has been implemented.
- (VIII) The expected effect and possible risk of the plant expansion, and the response measures:
By the date of publication of this report, no factory expansion has been implemented.
- (IX) The risk of concentrated purchase or sales and the response measures:
The amount of the largest trade debtor in 2018 accounted for 7% of the net sales amount. This is because Taiwanese consumers often shop at physical stores, such as convenience stores. We will continue to expand other sales channels to decentralize channels.
In procurement, we make constant efforts to expand sales channels, operate the "MyCard" and "e-PLAY" platforms steadily, and link to over 1,000 digital content products within the group. Apart from the online games of all subsidiaries, these products include the products of other game developers and digital content providers. We also distribute the cards designated by leading US media platform FB Credit.
We also actively promote MyCard, which attracts other game developers and digital content providers to join the platform to further decentralize procurement when compared to previous years.
- (X) The risks and impacts of significant shareholding transfers by directors, supervisors, or major shareholders with more than 10% ownership interest, and the responsive measures to such risks:
By the date of publication of this report, directors, supervisors, and the top ten shareholders

with over 10% of the stakes have not massively transferred or conversed shares, except for a supervisor who bestowed 35,200 shares to his children. Therefore, there is neither significant influence nor risk.

(XI) The effects, risks and responsive measures associated with changes in management:

Corporate management is the focus of our management team. With the assistance and support of directors and supervisors, there is no potential risk of any kind.

(XII) List out the legal proceedings or non-contentious matters, or administrative actions, involving the Company, the Directors, Supervisor, President, the deputy agent, or dominant shareholders holding more than 10% of the shares issued by the Company and its subsidiaries, concluded with rulings or still pending, the result of which may cause significant influence on the shareholders equity or stock price of the Company. Disclose the factual account of the contention, the starting date of the proceedings, the parties concerned, and the action taken by the Company to the date this report was printed:

1. Disclose the facts in dispute, the amount of the subject matter, the start and end dates of litigious events, the principal parties involved, and the current status of major litigious events, non-litigious events, or administrative remedies with confirmed verdicts in the past two years and by the date of publication of this report or in progress by the date of publication of this report of directors, supervisors, presidents, actual responsible persons, the top ten shareholders with over 10% of the stakes, and affiliates, with results that may cause significant impact to the rights and interests of shareholders or the stock price.
2. Major parties involved, and the current status of major litigious events, non-litigious events, or administrative remedies with confirmed verdicts in the past two years and by the date of publication of this report or in progress by the date of publication of this report of directors, supervisors, presidents, actual responsible persons, the top ten shareholders with over 10% of stakes and affiliates with results that may cause significant impact to the rights and interests of shareholders or the stock price: NA.
3. Directors, supervisors, presidents, actual person-in-charge, and shareholders with over 10% of the stakes involved in the events specified in Article 157 of the Securities and Exchange Act in the previous year and by the date of publication of this report and the current status of handling: NA.

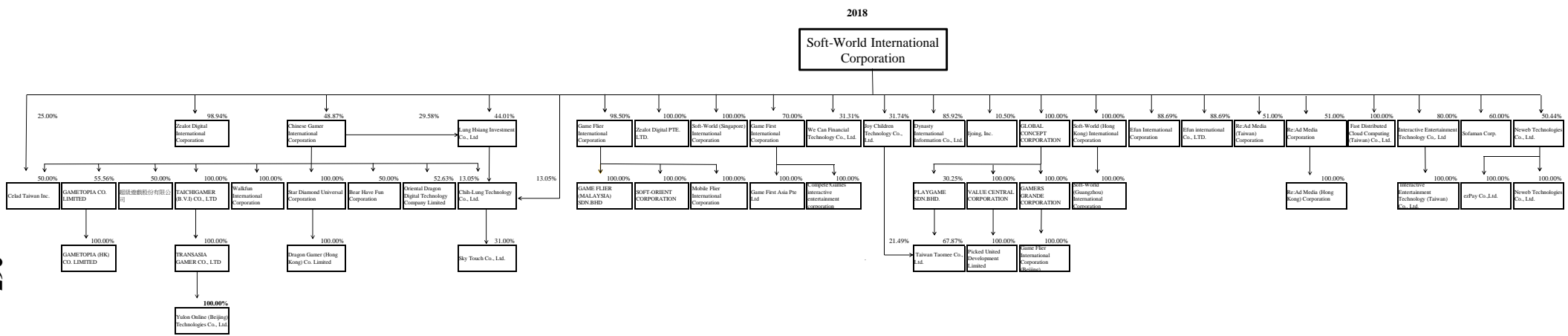
(XIII) Other significant risks and responsive measures:

Major risk assessment, including assessment and analysis of information security risks and countermeasures:

1. To enforce information security management, we have established the “Information Security Management Regulations” and their enforcement rules for implementing information security management, strictly managing data utilization and maintaining security. We have also established the firewall policy and application procedures to control the risk of information security.
2. We have established a database backup mechanism and store backup media offsite to reduce the risk of data loss. We simulate situations and test regularly to ensure the normal operation and data security of information systems to reduce unexpected system disruption caused by natural disasters and human negligence, in order to comply with the planned target system recovery time.

VII. Other important disclosures: None.

Organization chart for affiliates of Soft-World Group



2. Stakes of affiliates

Serial No.	Name of affiliated enterprises	Intersect Holdings	Ratio of Shareholding	Invested Shares	Original Investment Amount (NT\$ thousands) (dollar for foreign currencies)
1	CHINESE GAMER INTERNATIONAL CORPORATION	Shares of Chinesegamer International (subsidiary) held by Soft-World International	49%	41,880,205	371,319
		Shares of Soft-World International held by Chinesegamer International (subsidiary)	None	None	None
2	Gameflieger International Corporation	Shares of Gameflieger International (subsidiary) held by Soft-World International	98%	28,326,330	217,846
		Shares of Soft-World International held by Gameflieger International (subsidiary)	None	None	None
3	Game First International Corporation	Shares of Game First International (subsidiary) held by Soft-World International	70%	16,684,063	27,813
		Shares of Soft-World International held by Game First International (subsidiary)	None	None	None
4	Global Concept Corporation	Shares of Global Concept Corporation (subsidiary) held by Soft-World International	100%	9,631,253	295,068
		Shares of Soft-World International held by Global Concept Corporation (subsidiary)	None	None	None
5	Soft-World (Hong Kong) International Corporation	Shares of Soft World (Hong Kong) International (subsidiary) held by Soft-World International	100%	3,883,558	88,858
		Shares of Soft-World International held by Soft World (Hong Kong) International (subsidiary)	None	None	None
6	Zealot Digital International Corporation	Shares of Zealot Digital International (subsidiary) held by Soft-World International	99%	8,904,162	50,874
		Shares of Soft-World International held by Zealot Digital International (subsidiary)	None	None	None
7	Efun Internaional Co.,Ltd.	Shares of Efun International (subsidiary) held by Soft-World International	89%	2,368,000	81,312
		Shares of Soft-World International held by Efun International (subsidiary)	None	None	None
8	Soft-World Technology Pte. Ltd.	Shares of Soft-World (subsidiary) held by Soft-World International	100%	1,030,000	24,102
		Shares of Soft-World International held by Soft-World (subsidiary)	None	None	None
9	Dynasty International Information Co., Ltd.	Shares of Dynasty International (subsidiary) held by Soft-World International	86%	1,460,610	14,667
		Shares of Soft-World International held by Dynasty International (subsidiary)	None	None	None
10	Zilong Venture Capital Co., Ltd.	Shares of Zilong Venture Capital Co., Ltd. (subsidiary) held by Soft-World International	13%	10,000,000	100,000
		Shares of Soft-World International held by Zilong Venture Capital Co., Ltd. (subsidiary)	7%	8,509,000	717,315
11	Zealot Digital Ptd.Ltd.	Shares of Zealot (subsidiary) held by Soft-World International	100%	26,155,679	261,882
		Shares of Soft-World International held by Zealot (subsidiary)	None	None	None
12	Sofaman Technologies Co., Ltd.	Shares of Sofaman Technologies (subsidiary) held by Soft-World International	60%	276,600	2,766
		Shares of Soft-World International held by Sofaman Technologies (subsidiary)	None	None	None
13	Re:Ad Media Corporation	Shares of Re:Ad (subsidiary) held by Soft-World International	51%	161,670	5,247
		Shares of Soft-World International held by	None	None	None

Serial No.	Name of affiliated enterprises	Intersect Holdings	Ratio of Shareholding	Invested Shares	Original Investment Amount (NT\$ thousands) (dollar for foreign currencies)
		Re:Ad (subsidiary)			
14	Fast Distributed Cloud Computing (Taiwan) Co., Ltd.	Shares of Fast Distributed Cloud Computing (subsidiary) held by Soft-World International	100%	1,020,000	17,583
		Shares of Soft-World International held by Fast Distributed Cloud Computing (subsidiary)	None	None	None
15	Interactive Entertainment Technology Co., Ltd.	Shares of Interactive (subsidiary) held by Soft-World International	80%	480,000	15,485
		Shares of Soft-World International held by Interactive (subsidiary)	None	None	None
16	Neweb Technologies Co., Ltd.	Shares of Neweb Technologies (subsidiary) held by Soft-World International	50%	56,232,998	510,567
		Shares of Soft-World International held by Neweb Technologies (subsidiary)	None	None	None
17	Lung Hsiang Investment Co., Ltd.	Shares of Longxiang Investment (subsidiary) held by Soft-World International	44%	25,000,000	250,000
		Shares of Soft-World International held by Longxiang Investment (subsidiary)	None	None	None
18	EFUN International Co., Ltd.	Shares of EFUN International (subsidiary) held by Soft-World International	89%	7,726,988	77,270
		Shares of Soft-World International held by EFUN International (subsidiary)	None	None	None
19	Celad Taiwan Inc.	Shares of Celad Taiwan (subsidiary) held by Soft-World International	25%	1,000,000	10,000
		Shares of Soft-World International held by Celad Taiwan (subsidiary)	None	None	None
20	Re:Ad Media (Taiwan) Corporation	Shares of Re:Ad Media (subsidiary) held by Soft-World International	51%	1,275,000	14,094
		Shares of Soft-World International held by Re:Ad Media (subsidiary)	None	None	None
21	Taichigamer (B.V.I) Co., Ltd.	Shares of Taichigamer (subsidiary) held by ChineseGamer International	100%	3,041,698	96,942
		Shares of ChineseGamer International held by Taichigamer (subsidiary)	None	None	None
22	Walkfun International Corporation	Shares of Walkfun International (subsidiary) held by ChineseGamer International	100%	1,500,000	15,000
		Shares of ChineseGamer International held by Walkfun International (subsidiary)	None	None	None
23	Celad Taiwan Inc.	Shares of Celad Taiwan (subsidiary) held by ChineseGamer International	50%	2,000,000	20,000
		Shares of ChineseGamer International held by Celad Taiwan (subsidiary)	None	None	None
24	Super Game Corporation	Shares of Super Game (subsidiary) held by ChineseGamer International	50%	500,000	5,000
		Shares of ChineseGamer International held by Super Game (subsidiary)	None	None	None
25	Star Diamond (B.V.I)Co.,Ltd.	Shares of Star Diamond (subsidiary) held by ChineseGamer International	100%	52,000	82,772
		Shares of ChineseGamer International held by Star Diamond (subsidiary)	None	None	None
26	Bear Have Fun Corporation	Shares of Bear Have Fun (subsidiary) held by ChineseGamer International	50%	800,000	8,000
		Shares of ChineseGamer International held by Bear Have Fun (subsidiary)	None	None	None

Serial No.	Name of affiliated enterprises	Intersect Holdings	Ratio of Shareholding	Invested Shares	Original Investment Amount (NT\$ thousands) (dollar for foreign currencies)
27	GameTopia Co., Ltd.	Shares of GameTopia (subsidiary) held by ChineseGamer International	56%	2,000,000	20,000
		Shares of ChineseGamer International held by GameTopia (subsidiary)	None	None	None
28	Oriental Dragon Digital Co., Ltd.	Shares of Oriental Dragon Digital (subsidiary) held by ChineseGamer International	53%	800,000	8,000
		Shares of ChineseGamer International held by Oriental Dragon Digital (subsidiary)	None	None	None
29	TRANSASIAGAMER(B.V.I) CO., LTD.	Shares of Transasiagamer (subsidiary) held by Taichigamer (B.V.I)	100%	2,976,934	94,264
		Shares of Taichigamer (B.V.I) held by Transasiagamer (subsidiary)	None	None	None
30	Yulon Online (Beijing) Technologies Co., Ltd.	Shares of Yulon Online (Beijing) (subsidiary) held by Transasiagamer	100%	-	69,569
		Shares of Transasiagamer held by Yulon Online (Beijing) (subsidiary)	None	None	None
31	DRAGON GAMER (HONG KONG) CO., LTD	Shares of Dragon Gamer (Hong Kong) Co., Ltd. (subsidiary) held by Star Diamond (B.V.I) Co., Ltd.	100%	260,000	82,772
		Shares of Star Diamond (B.V.I) Co., Ltd. held by Dragon Gamer (Hong Kong) Co., Ltd. (subsidiary)	None	None	None
32	GameTopia (Hong Kong) Co., Ltd.	Shares of GameTopia (Hong Kong) Co., Ltd. (subsidiary) held by GameTopia	100%	3,300	987
		Shares of GameTopia held by GameTopia (Hong Kong) (subsidiary)	None	None	None
33	Value Central Corporation	Shares of Value Central (subsidiary) held by Global Concept Corporation	100%	1,450,000	45,452
		Shares of Global Concept Corporation held by Value Central (subsidiary)	None	None	None
34	Gamers grande Corporation	Shares of Gamers Grande Corporation (subsidiary) held by Global Concept Corporation	100%	6,453,621	179,788
		Shares of Global Concept Corporation held by Gamers Grande Corporation (subsidiary)	None	None	None
35	Gameflier International (Beijing) Corporation	Shares of Gameflier International (Beijing) Corporation (subsidiary) held by Gamers	100%	-	214,678
		Gameflier International (Beijing) Corporation Shares of Gamers held by Gameflier International (Beijing) Corporation (subsidiary)	None	None	None
36	Picked United Development Limited	Shares of Picked United (subsidiary) held by Value Central	100%	4,700,000	20,255
		Shares of Value Central held by Picked United (subsidiary)	None	None	None
37	Soft-orient Corporation	Shares of Soft-orient (subsidiary) held by Gameflier International	100%	7,784,134	254,872
		Shares of Gameflier International held by Soft-orient (subsidiary)	None	None	None
38	Game Flier (Malaysia) Sdn.Bhd.	Shares of Game Flier (subsidiary) held by Gameflier International (Subsidiaries)	100%	10,793,204	100,276
		Shares of Gameflier International held by	None	None	None

Serial No.	Name of affiliated enterprises	Intersect Holdings	Ratio of Shareholding	Invested Shares	Original Investment Amount (NT\$ thousands) (dollar for foreign currencies)
		Game Flier (subsidiary)			
39	Mobile Flier International Corporation	Shares of Mobileflier (subsidiary) held by Gameflier International	100%	2,800,000	28,000
		Shares of Gameflier International held by Mobileflier (subsidiary)	None	None	None
40	Compete ! Games International Entertainment Corporation	Shares of Compete ! Games International (subsidiary) held by Gameflier International	100%	2,941,500	21,342
		Shares of Gameflier International held by Compete ! Games International (subsidiary)	None	None	None
41	Guangzhou Soft-World International Corporation	Shares of Guangzhou Soft-World International (subsidiary) held by HK Soft-World International	100%	-	46,833
		Shares of HK Soft-World International held by Guangzhou Soft-World International (subsidiary)	None	None	None
42	Interactive Entertainment Technology (Taiwan) Co., Ltd.	Interactive Entertainment Technology (subsidiary)	100%	1,800,000	18,000
		Shares of Interactive (subsidiary) held by Interactive Entertainment Technology	None	None	None
43	ezPay Co.,Ltd.	Shares of Interactive Entertainment Technology held by Interactive (subsidiary)	100%	108,000,000	966,748
		Shares of ezPay (subsidiary) held by Newweb Technologies Technology	None	None	None
44	Newweb Technologies Co., Ltd.	Shares of Newweb Technologies held by Newweb Pay (subsidiary)	100%	1,000,000	28,369
		Shares of Newweb Pay (subsidiary) held by Newweb Technologies Technology	None	None	None

3. Profiles of the bank's subsidiaries

Unit : NT\$ thousand; Foreign currency amount in thousands

Serial No.	Name of enterprise	Date of establishment	Address	Paid-in shares Capital	Major operations
1	CHINESE GAMER INTERNATIONAL CORPORATION	2000.03.28	4F, No. 2, Lane 47, Section 3, Nangang Road, Nangang District, Taipei City	857,044	Internet authentication service, data storage media and processing units manufacturing, data processing services, digital information supply services, general advertising services.
2	Gameflir International Corporation	2002.07.02	2F, No. 99-10, Section 2, Nangang Road, Nangang Road, Nangang District, Taipei City	287,579	Internet authentication service, data processing services, digital information supply services, general advertising services, data storage media and processing unit manufacturing.
3	Game First International Corporation	2005.07.25	2F, No. 99-10, Section 2, Nangang Road, Nangang Road, Nangang District, Taipei City	238,343	Online game software distribution Non-prohibited or non-restricted businesses, in addition to the permitted business
4	Global Concept Corporation	2002.10.28	Visira Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia Samoa	USD 9,631,253	General investment business
5	Soft-World (Hong Kong) International Corporation	2007.10.19	19 Cheung Shun Street, Unit B, 7/F, Yeung Yiu Chung (No.6) Industrial Building, Cheung Shan Wan, Kowloon, Hong Kong.	HKD 3,883,558	Wholesale of computer software and computer magazine sales
6	Zealot Digital International Corporation	2008.02.14	8F, No. 18, Zhongzheng 2 nd Road, Lingya District, Kaohsiung	90,000	R&D and sales of game software
7	Efun International Co., Ltd.	2007.02.15	Jipfa Building, 3rd Floor, 142 Main Street, Road Town, Tortola British Virgin Islands.	USD 2,670,000	General investment business
8	Soft-World Technology Pte.Ltd.	1998.03.25	107B/C, 108B/C Amoy Street, Singapore 069927	SGD 1,030,000	Manufacturing, processing, trading, agency, and design of various computer equipment, computer software, and peripherals.
9	Dynasty International Information Co., Ltd.	1992.03.27	8F, No. 18, Zhongzheng 2 nd Road, Lingya District, Kaohsiung	17,000	Design, development, and trading of computer software.
10	Zilong Venture Capital Co., Ltd.	2014.12.08	No. 99-10, Section 2, Nangang Road, Nangang Road, Nangang District, Taipei City	766,000	Investing Company
11	Zealot Digital Pte.Ltd.	2007.07.13	107B/C, 108B/C Amoy Street, Singapore 069927	SGD 26,155,679	R&D of computer games
12	Sofaman Technologies Co., Ltd.	2015.04.10	No. 99-10, Section 2, Nangang Road, Nangang Road, Nangang District, Taipei City	4,610	Software design services and data processing services
13	Re:Ad Media Corporation	2015.07.30	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD 317,000	General investment business
14	Fast Distributed Cloud Computing (Taiwan) Co., Ltd.	2011.11.29	2F, No. 99-10, Section 2, Nangang Road, Nangang Road, Nangang District, Taipei City	10,200	Retail sale of computer software, computers and computing peripherals manufacturing
15	Interactive Entertainment Technology Co., Ltd.	2015.09.07	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD 600,000	General investment business
16	Neweb Technologies Co., Ltd.	2000.05.26	No. 99-10, Section 2, Nangang Road, Nangang Road, Nangang District, Taipei City	1,114,841	Retail sale of computer software, computers and digital information supply services

Serial No.	Name of enterprise	Date of establishment	Address	Paid-in shares Capital	Major operations
17	Lung Hsiang Investment Co., Ltd.	2018.05.18	1F, No. 37-2, Lainan Street, Yanceng District, Kaohsiung City	56,800	General investment business
18	EFUN International Co., Ltd.	2007.10.04	No. 99-10, Section 2, Nangang Road, Nangang District, Taipei City	87,124	Digital media advertising services
19	Celad Taiwan Inc.	2014.12.17	4F, No. 2, Lane 47, Section 3, Nangang Road, Nangang District, Taipei City	40,000	Online gaming service
20	Re:Ad Media (Taiwan) Corporation	2015.11.13	No. 99-10, Section 2, Nangang Road, Nangang District, Taipei City	25,000	Digital media advertising services
21	Taichigamer (B.V.I) Co., Ltd.	2002.01.10	TrustNet Chambers,P.O.Box 3444,Road Town, Tortola, British Virgin Island	USD 3,041,698	General investment business
22	Walkfun International Corporation	2013.01.24	4F, No. 2, Lane 47, Section 3, Nangang Road, Nangang District, Taipei City	15,000	Online gaming service
23	Super Game Corporation	2015.09.01	4F, No. 2, Lane 47, Section 3, Nangang Road, Nangang District, Taipei City	10,000	Online gaming service
24	Star Diamond (BVI) Co.,Ltd	2015.09.23	Portcullis TrustNet Chambers,PO Box 3444, Road Town,Tortola, British Virgin Islands	USD 2,600,000	Online gaming service
25	Bear Have Fun Corporation	2016.09.08	4F, No. 2, Lane 47, Section 3, Nangang Road, Nangang District, Taipei City	16,000	Online gaming service
26	GameTopia Co., Ltd.	2016.10.07	4F, No. 2, Lane 47, Section 3, Nangang Road, Nangang District, Taipei City	36,000	Online gaming service
27	Oriental Dragon Digital Co., Ltd.	2016.12.16	4F, No. 2, Lane 47, Section 3, Nangang Road, Nangang District, Taipei City	15,200	Online gaming service
28	Transasiagamer (BVI)Co., Ltd.	2002.01.10	TrustNet Chambers,P.O.Box 3444,Road Town, Tortola, British Virgin Island	USD 2,976,934	Re-investments Operations
29	Yulon Online (Beijing) Technologies Co., Ltd.	2002.03.18	Unit 5, 4F, No. 25, Shangdi East Road, Haidian District, Beijing City	USD 2,200,000	Online gaming service
30	Dragon Gamer (Hong Kong) Co., Ltd	2015.10.16	19 Cheung Shun Street, Unit B, 7/F, Yeung Yiu Chung (No.6) Industrial Building, Cheung Shan Wan, Lai Chi Kok, Kowloon, Hong Kong.	USD 1,500,000	Information services
31	GameTopia (Hong Kong) Co., Ltd.	2017.05.19	19 Cheung Shun Street, Unit B, 7/F, Yeung Yiu Chung (No.6) Industrial Building, Cheung Shan Wan, Lai Chi Kok, Kowloon, Hong Kong.	USD 33,000	Information software service
32	Value Central Corporation	2002.10.28	Vistra Corporate Services Centre, Ground Floor NPF Building,Beach Road,Apia Samoa	USD 1,450,000	General investment business
33	Gamers grande Corporation	2002.10.16	2nd. Floor, lat 19, Lazenda Commercial Centre, Phasw 3, 8700 Federalterritory Of Labuan Malaysia	USD 6,212,066	General investment business
34	Gameflir International (Beijing) Corporation	2003.01.23	1F, No. 36, Chuangye Middle Road, Shangdi, Haidian District, Beijing City	USD 6,400,000	Production of computer software and hardware; development, service, consulting and training of software technology; and sales of our own brand's products.
35	Picked United Development Limited	2015.10.09	RMS 604-7 DOMINION CTR 43-59 QUEEN'S RD EAST HK	HKD 4,700,000	Acquisition and licensing of game software
36	Soft-orient Corporation	2002.10.02	Britannia House, 41, 4 th Floor, Cator Road, Bandar Seri Begawan Bs 8811, Negara Brunei Darussalam	USD 7,784,134	General investment business

Serial No.	Name of enterprise	Date of establishment	Address	Paid-in shares Capital	Major operations
37	Game Flier(Malaysia) Sdn.Bhd.	2003.05.27	18-3 , Jalan 2/114, Kuchai Business Centre, Off Jalan Klang Lama, 58200 Kuala Lumpur.	USD 3,025,521	R&D, manufacture, and sales of game software
38	Mobile Flier International Corporation	2014.10.30	No, 99-10, Section 2, Nangang Road, Nangang Road, Nangang District, Taipei City	28,000	Distribution and operation of smartphone games and platform connection and joint operation
39	Compete ! Games International Entertainment Corporation	2013.10.25	2F, No, 99-10, Section 2, Nangang Road, Nangang Road, Nangang District, Taipei City	29,415	Distribution and operation of s-sports games.
40	Guangzhou Soft-World International Corporation	2007.10.19	Pacific Industrial Zone, Xintang Industrial Processing Zone, Zengcheng District, Guangzhou	USD 1,300,000	Design, development, production and sales of our own brand's computer hardware and software
41	Interactive Entertainment Technology (Taiwan) Co., Ltd.	2016.06.03	No, 99-10, Section 2, Nangang Road, Nangang Road, Nangang District, Taipei City	18,000	Wholesale and service of information software
42	ezPay Co.,Ltd.	2013.08.22	8F, No. 97, Section 2, Nangang Road, Nangang District, Taipei City	1,080,000	e-Payment
43	Neweb Technologies Co., Ltd.	2010.03.24	No, 99-10, Section 2, Nangang Road, Nangang Road, Nangang District, Taipei City	10,000	Retail sale of computer software, computers and digital information supply services

4. Data of shareholders with designated control or affiliation as specified in Article 369 of the Company Act: NA.

5. The industries housed in the same business location of the whole Affiliated Enterprises :

(1) Trades covered by the scope of business

R&D, distribution, and sales of information software and investments.

(2) Division of labor, if any, based on the scope of business

A. Soft-World International

Focusing on marketing, distribution, and media, Soft-World International persistently develops online game products for the group or agency for distribution of online game products at home and abroad for marketing. We are committed to becoming the publisher and distributor in the Asia game market.

B. Chinesegamers International

As a leading online game developer in the Chinese-speaking market, Chinesegamers will continue to expand its R&D team and develop a multifaceted range of products. Positioning towards online game product R&D, Chinesegamers aims to distribute independently developed online games worldwide.

C. Gameflier International, Game First International

In 2018, Gameflier International introduced the large MMO tank battle game *Crossout* and a range of mobile games: *One Hundred Thousand Bad Jokes-Side Story*, *Battle Dragon*, *Absolute Territory*, etc. It also introduced revised popular games in its product range, as well as a wide range of activities to provide gamers with a range of game choices and localized professional services.

Game First International Corporation also expanded the scope of operations with respect to the game development trend. Apart from investing in game value added services including customer service and social media operations, it began to link with 300 internet cafés in Taiwan, Hong Kong, and Macau to plan the largest offline game competition “MyCard Cybercafe League, MCL” to launch competitions for a range of popular games in collaboration with various game developers, in order to build a high-standard e-sports platform for all. In May

2018, Game First International also won the distribution contract for the globally popular game *Player Unknown's Battlegrounds* (PC version) to launch the "MyCard Player Unknown's Battlegrounds" in Taiwan and Hong Kong.

D. Zealot Digital International

With over 20 years of experience in game art and rich know-how of asset creation, Zealot Digital International has actively engaged in game art production in recent years, with specialization in producing 2D/3D characters and scenes, actions/special effects, and GUIs. In 2018, it won game art production contracts from two South Korean game developers, four Japanese game developers, and over a dozen game developers in Chinese-speaking regions.

E. Others are regional game companies, holding companies, and investment companies.

6. Profiles of directors, supervisors, and presidents

Unit: NT\$ thousand; Shares; %

Serial No.	Name of enterprise	Title	Company name or representative	Status of shareholding	
				Quantity	Ratio of Shareholding
1	CHINESE GAMER INTERNATIONAL CORPORATION	Chairman	Soft-World International Corporation Representative: WANG, CHUN-PO	41,880,205	48.87%
		Director and Executive Vice President	Yu-Min Liu	1,409,478	1.64%
		Director / President	LEU, SHYUE-SEN	1,414,478	1.65%
		Director	Ssu-Chun Wang	24,382	0.03%
		Independent director	Shen-Yi Fang	0	0%
		Independent director	LIN, HSUAN-CHU	0	0%
		Director / Vice President	Chih-Min Chen	67,232	0.08%
		Supervisor	Jie Sheng Investment Co., Ltd. Representative: PAI, FON-TSAO	794,438	0.93%
		Supervisor	Ming-Lung Wang	0	0%
		Supervisor	CHIEN, CHIN-CHENG	28,237	0.03%
2	Gameflir International Corporation	Chairman	Soft-World International Corporation Representative: WANG, CHUN-PO	28,326,330	98.50%
		Director / President	Yi Min Chang	0	0%
		Director	WANG, HSUAN-TSE	9,246	0.03%
		Director	Chun Yao Hung	0	0%
		Director	Ming-Chuan Hsieh	0	0%
		Supervisor	Ssu-Chun Wang	19,418	0.07%
		Supervisor	Chih Chan Tsai	3,698	0.01%
3	Game First International Corporation	Chairman	Soft-World International Corporation Representative: WANG, CHUN-PO	16,684,063	70%
		Director	Soft-World International Corporation Representative: Ssu-Chun Wang	16,684,063	70%
		Director	Soft-World International Corporation Representative: Hsuan Yuan Wang	16,684,063	70%
		Director	Star Diamond (B.V.I) Co., Ltd. Representative: Tun Ho Weng	7,150,312	30%
		Director	Star Diamond (B.V.I) Co., Ltd. Representative: Ting Ting Li	7,150,312	30%
		Supervisor	Yin-Chiang Li	0	0%
4	Global Concept Corporation	Director	Ssu-Chun Wang	0	0%
5	Soft-World (Hong Kong) International Corporation	Chairman	Soft-World International Corporation Representative: WANG, CHUN-PO	3,883,558	100%
		Director	Soft-World International Corporation Representative: Tung Yu Wu	3,883,558	100%
		Director	Soft-World International Corporation Representative: Ssu-Chun Wang	3,883,558	100%

Serial No.	Name of enterprise	Title	Company name or representative	Status of shareholding	
				Quantity	Ratio of Shareholding
6	Zealot Digital International Corporation	Chairman and President	Soft-World International Corporation Representative: WANG, CHUN-PO	8,904,162	98.94%
		Director	Ming-Fen Huang	0	0%
		Director	Vacancy	0	0%
		Director	WANG, HSUAN-TSE	1,287	0.01%
		Director	Yi Min Chang	0	0%
		Supervisor	Chien Hsiang Lin	0	0%
		Supervisor	Hengshang Construction Co., Ltd	45,264	0.5%
7	Efun International Co., Ltd.	Director	Chun Yao Hung	0	0%
8	Soft-World Technology Pte.Ltd.	Director	Soft-World International Corporation Representative: WANG, CHUN-PO	1,030,000	100%
		Director	Soft-World International Corporation Representative: LIN PO CHENG	1,030,000	100%
9	Dynasty International Information Co., Ltd.	Chairman	Hengshang Construction Co., Ltd Representative: CHEN, CHING-JUNG	118,092	6.95%
		Director	Hengshang Construction Co., Ltd Representative: Wen Chung Chen	118,092	6.95%
		Director	Hao Jan Chao	34,232	2.01%
		Director	Soft-World International Corporation Representative: WANG, CHUN-PO	1,460,610	85.92%
		Director	Soft-World International Corporation Representative: Po Cheng Lin	1,460,610	85.92%
		Supervisor	Ming-Fen Huang	43	0%
		Supervisor	Wen Ho Chen	0	0%
10	Zilong Venture Capital Co., Ltd.	Chairman	WANG, LI-JUNG	0	0%
		Director	Ching Hung Wang	0	0%
		Director	Wen Hsiung Hsieh	0	0%
		Supervisor	CHINESE GAMER INTERNATIONAL CORPORATION Representative: Tsai-Lin Chiang	10,000,000	13%
11	Zealot Digital Pte.Ltd.	Director	Soft-World International Corporation Representative: LIN PO CHENG	26,155,679	100%
		Director	Soft-World International Corporation Representative: WENG HSUAN-TSE	26,155,679	100%
12	Sofaman Technologies Co., Ltd.	Chairman	Hsi Shun Yu	184,400	40%
		Director	Soft-World International Corporation Representative: WANG, HSUAN-TSE	276,600	60%
		Director	Soft-World International Corporation Representative: Wei Liu	276,600	60%
		Supervisor	Ssu-Chun Wang	0	0%
13	Re:Ad Media Corporation	Director	WANG, CHUN-PO	0	0%
		Director	WANG, HSUAN-TSE	0	0%
		Director	LEE, YIN-CHIANG	0	0%
14	Fast Distributed Cloud Computing (Taiwan) Co., Ltd.	Chairman	Soft-World International Corporation Representative: WANG, CHUN-PO	1,020,000	100%
		Director	Soft-World International Corporation Representative: LEE, YIN-CHIANG	1,020,000	100%
		Director	Soft-World International Corporation Representative: Seo Heo Jeong	1,020,000	100%

Serial No.	Name of enterprise	Title	Company name or representative	Status of shareholding	
				Quantity	Ratio of Shareholding
		Supervisor	Soft-World International Corporation Representative: Ssu-Chun Wang	1,020,000	100%
15	Interactive Entertainment Technology Co., Ltd.	Director	WANG, CHUN-PO	0	0%
		Director	LEE, YIN-CHIANG	0	0%
		Director	WANG, HSUAN-TSE	0	0%
		Director	Ssu-Chun Wang	0	0%
		Director	Wei Liu	0	0%
		Director	CHEN, SHUYI	0	0%
16	Neweb Technologies Co., Ltd.	Chairman	Soft-World International Corporation Representative: WANG, CHUN-PO	56,232,998	50.4%
		Director	Soft-World International Corporation Representative: CHUNG, HSING- PO	56,232,998	50.4%
		Director	Soft-World International Corporation Representative: LEE, YIN-CHIANG	56,232,998	50.4%
		Director	Soft-World International Corporation Representative: Hsueh-Sen Lu	56,232,998	50.4%
		Director	Chander Electronics Corp. Representative: Yu-Ta Chang	36,376,587	32.6%
		Director	Chander Electronics Corp. Representative: Chih Cheng Wu	36,376,587	32.6%
		Director	Chander Electronics Corp. Representative: Chun Jung Tu	36,376,587	32.6%
		Supervisor	Ssu-Chun Wang	669,194	0.6%
		Supervisor	United Weimar Co., Ltd. Representative: Fang Shu Hsieh	10,000	0%
		Supervisor	Tsung Ju Chiang	0	0%
17	Lung Hsiang Investment Co., Ltd.	Chairman	Ching Hung Wang	0	0%
		Director	Hsien Chang Lin	2,000,000	4%
		Director	Chun Hung Chia	3,000,000	5%
		Supervisor	Soft-World International Corporation Representative: WANG, HSUAN-TSE	25,000,000	44%
18	EFUN International Co., Ltd.	Chairman	Soft-World International Corporation Representative: WANG, CHUN-PO	7,726,988	88.69%
		Director	Soft-World International Corporation Representative: LEE, YIN-CHIANG	7,726,988	88.69%
		Director	Soft-World International Corporation Representative: Chun Yao Hung	7,726,988	88.69%
		Supervisor	Ssu-Chun Wang	0	0
19	Celad Taiwan Inc.	Chairman	CHINESE GAMER INTERNATIONAL CORPORATION Representative: Hsueh-Sen Lu	2,000,000	50%
		Director	Yu-Min Liu	300,000	15%
		Director	Che Kuei Liu	100,000	5%
		Supervisor	Tsai-Lin Chiang	0	0%
20	Re:Ad Media (Taiwan) Corporation	Chairman	Soft-World International Corporation Representative: WANG, CHUN-PO	1,275,000	51%
		Director	Soft-World International Corporation Representative: LEE, YIN-CHIANG	1,275,000	51%

Serial No.	Name of enterprise	Title	Company name or representative	Status of shareholding	
				Quantity	Ratio of Shareholding
		Director	Soft-World International Corporation Representative: WANG, HSUAN-TSE	1,275,000	51%
		Supervisor	Ssu-Chun Wang	0	0
21	Taichigamer (B.V.I) Co., Ltd.	Director	CHINESE GAMER INTERNATIONAL CORPORATION Representative: Yu-Min Liu	3,041,698	100%
22	Walkfun International Corporation	Chairman	CHINESE GAMER INTERNATIONAL CORPORATION Representative: Hsueh-Sen Lu	1,500,000	100%
		Director	CHINESE GAMER INTERNATIONAL CORPORATION Representative: Yu-Min Liu	1,500,000	100%
		Director	CHINESE GAMER INTERNATIONAL CORPORATION Representative: Tao-Jen Chang	1,500,000	100%
		Supervisor	CHINESE GAMER INTERNATIONAL CORPORATION Representative: Tsai-Lin Chiang	1,500,000	100%
23	Super Game Corporation	Chairman	CHINESE GAMER INTERNATIONAL CORPORATION Representative: Hsueh-Sen Lu	500,000	50%
		Director	Yu-Min Liu	100,000	10%
		Director	Cheng Chuan Liu	20,000	2%
		Supervisor	Tsai-Lin Chiang	0	0%
24	Star Diamond (BVI) Co.,Ltd	Chairman	CHINESE GAMER INTERNATIONAL CORPORATION Representative: Yu-Min Liu	52,000	100%
25	Bear Have Fun Corporation	Chairman	CHINESE GAMER INTERNATIONAL CORPORATION Representative: LEU, SHYUE-SEN	800,000	50%
		Director	Yu-Min Liu	150,000	9.38%
		Director	Kai Hsiung Chuang	150,000	9.38%
		Supervisor	Tsai-Lin Chiang	0	0%
26	GameTopia Co., Ltd.	Chairman	CHINESE GAMER INTERNATIONAL CORPORATION Representative: Chih-Min Chen	2,000,000	50%
		Director	LEU, SHYUE-SEN	0	0%
		Director	Yu-Min Liu	0	0%
		Supervisor	Tsai-Lin Chiang	0	0%
27	Oriental Dragon Digital Co., Ltd.	Chairman	CHINESE GAMER INTERNATIONAL CORPORATION Representative: LEU, SHYUE-SEN	800,000	52.63%
		Director	Yu-Min Liu	150,000	9.87%
		Director	Hung Pin Tseng	100,000	6.58%
		Supervisor	Tsai-Lin Chiang	0	0%
28	Transasiagamer (BVI)Co., Ltd.	Director	Taichigamer (BVI) Co.,Ltd Representative: Yu-Min Liu	2,976,934	100%
29	Yulon Online (Beijing) Technologies Co., Ltd.	Director	Transasiagamer Co.,Ltd. Representative: Lan Ni She	0	100%
30	Dragon Gamer (Hong Kong) Co., Ltd	Chairman	STAR DIAMOND (B.V.I) Co.,LTD	260,000	100%

Serial No.	Name of enterprise	Title	Company name or representative	Status of shareholding	
				Quantity	Ratio of Shareholding
31	GameTopia (Hong Kong) Co., Ltd.	Director	GameTopia Co., Ltd.	3,300	100%
32	Value Central Corporation	Director	Ssu-Chun Wang	0	0%
33	Gamers grande Corporation	Director	Ssu-Chun Wang	0	0%
34	Gameflier International (Beijing) Corporation	Director	Gamers grande Corporation	0	100%
35	Picked United Development Limited	Director	Value Central Corporation Representative: Chun Yao Hung	0	0
		Director	Value Central Corporation Representative: Wei Liu	0	0
36	SOFT ORIENT Corporation	Director	WANG,SZU-CHUN	0	0%
37	Game Flier (MA- LAYSIA) Sdn.Bhd.	Director	YONG YIH FANG	0	0%
		Director	ONG EET PERNG	0	0%
38	Mobile Flier International Corporation	Chairman	Representative of Game Flier International Corporation: WANG, CHUN-PO	2,800,000	100%
		Director / President	Representative of Game Flier International Corporation: Yi Min Chang	2,800,000	100%
		Director	Representative of Game Flier International Corporation: LEE, YIN-CHIANG	2,800,000	100%
		Supervisor	Representative of Game Flier International Corporation: Ssu-Chun Wang	2,800,000	100%
39	Compete ! Games International Entertainment Corporation	Chairman	Game First International Corporation Representative: WANG, CHUN-PO	2,941,520	100%
		Director / President	Game First International Corporation Representative: Hsuan Yuan Wang	2,941,520	100%
		Director	Game First International Corporation Representative: LEE, YIN-CHIANG	2,941,520	100%
		Director	Game First International Corporation Representative: Tun Ho Weng	2,941,520	100%
		Director	Game First International Corporation Representative: Ting Ting Li	2,941,520	100%
		Supervisor	Game First International Corporation Representative: Ssu-Chun Wang	2,941,520	100%
40	Guangzhou Soft-World International Corporation	Director	Soft-World (Hong Kong) International Corporation Representative: Tung Yu Wu	0	100%
41	Interactive Entertainment Technology (Taiwan) Co., Ltd.	Chairman	Interactive Entertainment Technology Co., Ltd. Representative: WANG, CHUN-PO	18,000,000	100%
		Director	Interactive Entertainment Technology Co., Ltd. Representative: LEE, YIN-CHIANG	18,000,000	100%
		Director	Interactive Entertainment Technology Co., Ltd. Representative: WANG, HSUAN-TSE	18,000,000	100%
		Supervisor	Interactive Entertainment Technology Co., Ltd. Representative: Ssu-Chun Wang	18,000,000	100%
42	ezPay Co.,Ltd.	Chairman	Neweb Technologies Co., Ltd. Representative: WANG, CHUN-PO	108,000,000	100%

Serial No.	Name of enterprise	Title	Company name or representative	Status of shareholding	
				Quantity	Ratio of Shareholding
		Director	Neweb Technologies Co., Ltd. Representative: LEE, YIN-CHIANG	108,000,000	100%
		Director / President	Neweb Technologies Co., Ltd. Representative: CHUNG, HSING- PO	108,000,000	100%
		Supervisor	Neweb Technologies Co., Ltd. Representative: LEU, SHYUE-SEN	108,000,000	100%
43	Neweb Technologies Co., Ltd.	Chairman	Neweb Technologies Co., Ltd. Representative: WANG, CHUN-PO	1.000.000	100%
		Director	Neweb Technologies Co., Ltd. Representative: LEE, YIN-CHIANG	1.000.000	100%
		Director	Neweb Technologies Co., Ltd. Representative: WANG, HSUAN-TSE	1.000.000	100%
		Supervisor	Neweb Technologies Co., Ltd. Representative: Ssu-Chun Wang	1.000.000	100%

7. Business Performance of Affiliated Enterprises

Unit: Expressed in NT\$ thousands (NT\$ for foreign currencies); EPS/LPS

Serial No.	Name of enterprise	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating gains and losses	Current period profit (after tax)	Earnings (losses) per share (After tax)
1	CHINESE GAMER INTERNATIONAL CORPORATION	857,044	1,150,766	122,830	1,027,936	326,927	(22,935)	38,970	0.45
2	Gameflier International Corporation	287,579	877,188	152,890	724,298	374,913	(1,325)	8,178	0.28
3	Game First International Corporation	238,344	410,443	52,665	357,778	566,705	(17,527)	(25,265)	(0.98)
4	Global Concept Corporation	USD 9,631,253	282,191	42,705	239,486	-	(3,346)	24,138	2.51
5	Soft-World (Hong Kong) International Corporation	HKD 3,883,558	705,894	204,082	501,813	221,637	32,011	13,121	3.38
6	Zealot Digital International Corporation	90,000	97,245	18,062	79,183	57,925	(21,333)	(6,947)	(0.77)
7	Efun International Co., Ltd.	USD 2,670,000	7,081	89	6,992	-	(193)	2,254	0.84
8	Soft-World Technology PTE. LTD.	SGD 1,030,000	21,067	587	20,479	5,595	(77)	(3,331)	(3.23)
9	Dynasty International Information Co., Ltd.	17,000	20,597	4,055	16,543	10,850	10,688	10,803	6.35
10	Zilong Venture Capital Co., Ltd.	766,000	622,069	135	621,934	17,209	4,379	4,379	0.08
11	Zealot Digital Pte.Ltd.	SGD 25,068,141	4,383	2,292	2,092	888	(24,293)	(23,279)	(0.89)
12	Sofaman Technologies Co., Ltd.	4,610	1,627	10,271	(8,644)	1,800	(5,025)	(5,197)	(11.27)
13	Re:Ad Media Corporation	USD 317,000	12,975	155	12,820	-	(287)	4,026	7.11
14	Fast Distributed Cloud Computing (Taiwan) Co., Ltd.	10,200	101,241	66,735	34,506	184,487	18,957	15,032	14.74
15	Interactive Entertainment Technology Co., Ltd.	USD 600,000	19,283	3	19,280	-	(30)	38	0.06
16	Neweb Technologies Co., Ltd.	1,114,841	1,900,393	1,017,894	882,499	45,910	(17,779)	(81,096)	(1.03)
17	Lung Hsiang Investment Co., Ltd.	568,000	461,436	114	461,321	-	(329)	3,243	0.06
18	EFUN International Co., Ltd.	87,124	319,782	181,236	138,546	447,488	35,601	51,423	6.24
19	Celad Taiwan Inc.	40,000	12,872	7,309	5,563	18,282	(11,482)	(12,314)	(3.08)

Serial No.	Name of enterprise	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating gains and losses	Current period profit (after tax)	Earnings (losses) per share (After income tax)
20	Re:Ad Media (Taiwan) Corporation	25,000	182,339	140,692	41,649	252,383	9,135	7,083	6.03
21	Taichigamer (B.V.I) Co., Ltd.	USD 3,041,698	167,882	0	167,882	0	0	30,348	9.98
22	Walkfun International Corporation	15,000	21,990	4,212	17,778	18,194	6,668	6,456	4.30
23	Super Game Corporation	10,000	2,097	1	2,096	63	43	42	0.04
24	Star Diamond (BVI) Co.,Ltd	USD 2,600,000	88,791	0	88,791	0	0	6,163	118.52
25	Bear Have Fun Corporation	16,000	8,638	1,164	7,474	14,163	6,785	6,330	3.96
26	GameTopia Co., Ltd.	36,000	121,295	51,008	70,287	117,131	43,647	41,595	11.55
27	Oriental Dragon Digital Co., Ltd.	15,200	10,836	3,321	7,515	21,406	6,917	(6,891)	(4.53)
28	Transasiagamer Co., Ltd.	USD 2,976,934	167,882	0	167,882	0	0	30,330	9.98
29	Yulon Online (Beijing) Technologies Co., Ltd.	USD 2,976,934	163,858	30,469	133,389	33,345	21,336	30,995	-
30	Dragon Gamer (Hong Kong) Co., Ltd	USD 1,500,000	104,590	15,800	88,790	68,268	6,754	6,163	23.70
31	GameTopia (Hong Kong) Co., Ltd.	USD 33,000	33,816	25,539	8,277	31,519	7,897	7,230	2,410.00
32	Value Central Corporation	USD 1,450,000	20,076	-	20,076	-	-	-	-
33	Gamers grande Corporation	USD 6,212,066	154,313	-	154,313	-	29,688	29,688	4.60
34	Gameflier International (Beijing) Corporation	USD 6,400,000	171,775	18,207	153,568	69,117	17,557	29,768	-
35	Picked United Development Limited	HKD 4,700,000	16,664	384	16,280	-	(113)	(104)	(0.02)
36	Soft-orient Corporation	USD 7,784,134	16,815	-	16,815	-	(31)	114	0.005
37	Game Flier (Malaysia) Sdn.Bhd.	USD 3,025,521	29	32	(3)	-	(79)	111	(0.04)
38	Mobile Flier International Corporation	28,000	16,583	289	16,294	-	(796)	(261)	(0.09)
39	Compete ! Games International Entertainment Corporation	29,415	9,632	1,439	8,193	3,041	(8,185)	(7,758)	(2.64)
40	Guangzhou Soft-World International Corporation	USD 1,300,000	11,503	2,889	8,614	-	(201)	1,074	-

Serial No.	Name of enterprise	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating gains and losses	Current period profit (after tax)	Earnings (losses) per share (After income tax)
41	Interactive Entertainment Technology (Taiwan) Co., Ltd.	18,000	17,992	9	17,983	-	(36)	23	0.01
42	ezPay Co.,Ltd.	1,080,000	655,129	42,034	613,095	25,038	(81,611)	(69,686)	(1.35)
43	Neweb Technologies Co., Ltd.	10,000	137,843	123,077	14,766	180,427	6,215	4,394	4.39
44	Re:Ad Media (Hong Kong) Corporation	Note 1	5,484	-	5,484	-	3	3	-
45	Jorsen Technology Co., Ltd.	Note 1	-	-	-	3,998	767	766	-
46	Fast Distributed Cloud Computing (Samoa) Co., Ltd.	USD 10,000	-	-	-	-	784	784	-
47	Smartpath Digital Technology Co., Ltd.	Note 2	-	-	-	453,584	13,202	10,185	5.09

Note 1: The liquidation process was completed in 2018.

Note 2: The acquisition of Neweb Technologies Co., Ltd. was completed in 2018.

II. Private placement of securities during the latest year up till the publication date of this annual report: None.

III. Holding or disposal of the company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report: None.

IV. Other supplementary information: None.

IX. Occurrences of events defined under Article 36-3-2 of the Securities Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None

Soft-World International Corporation

Chairman: WANG, CHUN-PO