

Soft-World International Corporation

**Parent Company Only Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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 matter of the Corporation's parent company only financial statements for the year ended December 31, 2020 is described as follows.

Revenue Recognition - MyCard transactions

The Corporation is an agent in its exclusive card (MyCard) transactions. Net service revenue is recognized at the time customers use MyCard in exchange for game points. Please refer to Notes 4 and 21 to the parent company only financial statements for more details. We considered the risk of material misstatement of the recognition of revenue as the risk of incorrect calculation of the aforementioned game points and the amount needed to be transferred to the related game operators. Therefore, we focused on the accuracy of revenue recognized from MyCard transactions.

The main audit procedures performed by us included the following:

1. We understood and tested the operating effectiveness of the internal controls of the MyCard internet platform and the interface control between MyCard and the ERP system;
2. We implemented computer-assisted audit techniques to test the process by which MyCard points which are deposited, exchanged and consumed. We also verified the amount from MyCard points exchanged and needed to be transferred to the related game operators, and confirmed that the net service revenue amounts had been recorded appropriately.

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, 2020 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 Chen-Li Chen and Jia-Ling Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 17, 2021

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, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

| ASSETS | December 31, 2020 | | December 31, 2019 | |
|---|----------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 1,817,516 | 18 | \$ 2,257,842 | 23 |
| Notes receivable (Notes 4, 5 and 7) | 1,125 | - | 1,751 | - |
| Accounts receivable, net (Notes 4, 5 and 7) | 50,669 | 1 | 58,935 | 1 |
| Accounts receivable - related parties (Notes 4, 5, 7 and 27) | 30,699 | - | 25,723 | - |
| Other receivables (Notes 4 and 7) | 1,460,047 | 15 | 1,653,658 | 17 |
| Other receivables - related parties (Notes 4, 7 and 27) | 60,349 | 1 | 67,295 | 1 |
| Inventories (Notes 4 and 8) | 41,619 | - | 22,569 | - |
| Other financial assets - current (Notes 9 and 28) | 2,355,640 | 23 | 1,691,230 | 17 |
| Other current assets | 91,767 | 1 | 149,875 | 2 |
| Total current assets | <u>5,909,431</u> | <u>59</u> | <u>5,928,878</u> | <u>61</u> |
| NONCURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 10) | 103,050 | 1 | - | - |
| Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 11) | 275,050 | 3 | 295,413 | 3 |
| Investments accounted for using the equity method (Notes 4 and 12) | 3,363,835 | 34 | 3,121,887 | 32 |
| Property, plant and equipment (Notes 4, 13 and 28) | 342,987 | 3 | 347,497 | 4 |
| Right-of-use assets (Notes 4 and 14) | 11,125 | - | 14,713 | - |
| Other intangible assets (Notes 4 and 15) | 10,009 | - | 18,326 | - |
| Deferred tax assets (Notes 4 and 23) | 24,656 | - | 36,301 | - |
| Refundable deposits | 11,067 | - | 12,125 | - |
| Other financial assets - noncurrent (Note 9) | 3,644 | - | 10,095 | - |
| Total noncurrent assets | <u>4,145,423</u> | <u>41</u> | <u>3,856,357</u> | <u>39</u> |
| TOTAL | <u>\$ 10,054,854</u> | <u>100</u> | <u>\$ 9,785,235</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Contract liabilities - current (Note 21) | \$ 38,376 | - | \$ 136,729 | 1 |
| Notes payable (Note 16) | 5,354 | - | 8,822 | - |
| Notes payable - related parties (Notes 16 and 27) | 600 | - | 44,886 | - |
| Accounts payable (Note 16) | 58,182 | 1 | 28,878 | - |
| Accounts payable - related parties (Notes 16 and 27) | 57,970 | 1 | 60,235 | 1 |
| Other payables (Note 17) | 2,430,712 | 24 | 2,565,383 | 26 |
| Other payables - related parties (Notes 27) | 179,975 | 2 | 143,287 | 2 |
| Current tax liabilities (Notes 4 and 23) | 33,533 | - | 51,893 | 1 |
| Lease liabilities - current (Notes 4 and 14) | 7,003 | - | 6,736 | - |
| Other financial liabilities - current (Notes 4 and 18) | 738,814 | 7 | 635,164 | 7 |
| Other current liabilities | 7,002 | - | 7,323 | - |
| Total current liabilities | <u>3,557,521</u> | <u>35</u> | <u>3,689,336</u> | <u>38</u> |
| NONCURRENT LIABILITIES | | | | |
| Deferred tax liabilities (Notes 4 and 23) | 102,923 | 1 | 39,561 | - |
| Lease liabilities - noncurrent (Notes 4 and 14) | 4,276 | - | 8,059 | - |
| Net defined benefit liabilities (Notes 4 and 19) | 73,619 | 1 | 73,381 | 1 |
| Guarantee deposits received | 280 | - | 350 | - |
| Other noncurrent liabilities (Note 12) | - | - | 785 | - |
| Total noncurrent liabilities | <u>181,098</u> | <u>2</u> | <u>122,136</u> | <u>1</u> |
| Total liabilities | <u>3,738,619</u> | <u>37</u> | <u>3,811,472</u> | <u>39</u> |
| EQUITY (Note 20) | | | | |
| Share capital | <u>1,274,743</u> | <u>12</u> | <u>1,274,743</u> | <u>13</u> |
| Capital surplus | <u>1,781,028</u> | <u>18</u> | <u>1,753,876</u> | <u>18</u> |
| Retained earnings | | | | |
| Legal reserve | 1,037,835 | 11 | 976,777 | 10 |
| Special reserve | 30,984 | - | 120,524 | 1 |
| Unappropriated earnings | <u>2,630,355</u> | <u>26</u> | <u>2,169,340</u> | <u>22</u> |
| Total retained earnings | <u>3,699,174</u> | <u>37</u> | <u>3,266,641</u> | <u>33</u> |
| Other equity | <u>71,683</u> | <u>1</u> | <u>127,806</u> | <u>1</u> |
| Treasury shares | <u>(510,393)</u> | <u>(5)</u> | <u>(449,303)</u> | <u>(4)</u> |
| Total equity | <u>6,316,235</u> | <u>63</u> | <u>5,973,763</u> | <u>61</u> |
| TOTAL | <u>\$ 10,054,854</u> | <u>100</u> | <u>\$ 9,785,235</u> | <u>100</u> |

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

SOFT-WORLD INTERNATIONAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2020 | | 2019 | |
|---|------------------|------------|------------------|------------|
| | Amount | % | Amount | % |
| NET OPERATING REVENUE (Notes 4, 21 and 27) | \$ 2,719,262 | 100 | \$ 2,335,588 | 100 |
| OPERATING COSTS (Notes 4, 22 and 27) | <u>432,083</u> | <u>16</u> | <u>329,049</u> | <u>14</u> |
| GROSS PROFIT | <u>2,287,179</u> | <u>84</u> | <u>2,006,539</u> | <u>86</u> |
| OPERATING EXPENSES (Notes 22 and 27) | | | | |
| Selling and marketing expenses | 1,341,824 | 49 | 1,216,673 | 52 |
| General and administrative expenses | 188,209 | 7 | 189,276 | 8 |
| Research and development expenses | 27,671 | 1 | 22,255 | 1 |
| Expected credit loss (Note 7) | <u>17,544</u> | <u>1</u> | <u>10,559</u> | <u>1</u> |
| Total operating expenses | <u>1,575,248</u> | <u>58</u> | <u>1,438,763</u> | <u>62</u> |
| OPERATING INCOME | <u>711,931</u> | <u>26</u> | <u>567,776</u> | <u>24</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income (Note 22) | 20,146 | 1 | 21,733 | 1 |
| Other income (Note 22) | 17,505 | 1 | 28,070 | 1 |
| Other gains and losses (Note 22) | 40,101 | 1 | 3,846 | - |
| Finance costs (Note 22) | (310) | - | (204) | - |
| Share of profit of subsidiaries and associates accounted for using the equity method (Note 4) | <u>325,425</u> | <u>12</u> | <u>125,496</u> | <u>6</u> |
| Total non-operating income and expenses | <u>402,867</u> | <u>15</u> | <u>178,941</u> | <u>8</u> |
| PROFIT BEFORE INCOME TAX | 1,114,798 | 41 | 746,717 | 32 |
| INCOME TAX EXPENSE (Notes 4 and 23) | <u>171,031</u> | <u>6</u> | <u>136,137</u> | <u>6</u> |
| NET PROFIT FOR THE YEAR | <u>943,767</u> | <u>35</u> | <u>610,580</u> | <u>26</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Note 19) | (1,545) | - | (1,360) | - |
| Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Note 20) | (20,363) | (1) | (18,749) | (1) |
| Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method | (16,932) | - | 1,990 | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23) | <u>309</u> | <u>-</u> | <u>272</u> | <u>-</u> |
| | <u>(38,531)</u> | <u>(1)</u> | <u>(17,847)</u> | <u>(1)</u> |

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SOFT-WORLD INTERNATIONAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2020 | | 2019 | |
|--|-------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations (Note 20) | \$ (21,533) | (1) | \$ (15,999) | - |
| Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method (Note 20) | (1,782) | - | (4,972) | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 20 and 23) | <u>4,386</u> | <u>-</u> | <u>3,237</u> | <u>-</u> |
| | <u>(18,929)</u> | <u>(1)</u> | <u>(17,734)</u> | <u>-</u> |
| Other comprehensive loss for the year, net of income tax | <u>(57,460)</u> | <u>(2)</u> | <u>(35,581)</u> | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 886,307</u> | <u>33</u> | <u>\$ 574,999</u> | <u>25</u> |
| EARNINGS PER SHARE (Note 24) | | | | |
| Basic | <u>\$ 7.76</u> | | <u>\$ 5.00</u> | |
| Diluted | <u>\$ 7.72</u> | | <u>\$ 4.98</u> | |

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

(Concluded)

SOFT-WORLD INTERNATIONAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | Share Capital | Capital Surplus | Retained Earnings | | | Exchange Differences on Translating Foreign Operations | Other Equity | Subtotal | Treasury Shares | Total Equity |
|--|---------------|-----------------|-------------------|-----------------|-------------------------|--|---|------------|-----------------|--------------|
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | | | |
| BALANCE AT JANUARY 1, 2019 | \$ 1,274,743 | \$ 1,744,934 | \$ 930,645 | \$ 25,117 | \$ 1,981,052 | \$ (11,367) | \$ 174,445 | \$ 163,078 | \$ (449,303) | \$ 5,670,266 |
| Appropriation of 2018 earnings (Note 20) | | | | | | | | | | |
| Legal reserve | - | - | 46,132 | - | (46,132) | - | - | - | - | - |
| Special reserve | - | - | - | 95,407 | (95,407) | - | - | - | - | - |
| Cash dividends distributed by the Corporation | - | - | - | - | (280,444) | - | - | - | - | (280,444) |
| | - | - | 46,132 | 95,407 | (421,983) | - | - | - | - | (280,444) |
| Net profit in 2019 | - | - | - | - | 610,580 | - | - | - | - | 610,580 |
| Other comprehensive loss in 2019, net of income tax | - | - | - | - | (309) | (17,734) | (17,538) | (35,272) | - | (35,581) |
| Total comprehensive income (loss) in 2019 | - | - | - | - | 610,271 | (17,734) | (17,538) | (35,272) | - | 574,999 |
| Adjustments of capital surplus for Corporation's cash dividends received by subsidiaries | - | 11,726 | - | - | - | - | - | - | - | 11,726 |
| Changes in percentage of ownership interests in subsidiaries | - | (2,784) | - | - | - | - | - | - | - | (2,784) |
| BALANCE AT DECEMBER 31, 2019 | 1,274,743 | 1,753,876 | 976,777 | 120,524 | 2,169,340 | (29,101) | 156,907 | 127,806 | (449,303) | 5,973,763 |
| Appropriation of 2019 earnings (Note 20) | | | | | | | | | | |
| Legal reserve | - | - | 61,058 | - | (61,058) | - | - | - | - | - |
| Cash dividends distributed by the Corporation | - | - | - | - | (509,897) | - | - | - | - | (509,897) |
| Reversal of special reserve | - | - | - | (89,540) | 89,540 | - | - | - | - | - |
| | - | - | 61,058 | (89,540) | (481,415) | - | - | - | - | (509,897) |
| Net profit in 2020 | - | - | - | - | 943,767 | - | - | - | - | 943,767 |
| Other comprehensive income (loss) in 2020, net of income tax | - | - | - | - | (1,337) | (18,929) | (37,194) | (56,123) | - | (57,460) |
| Total comprehensive income (loss) in 2020 | - | - | - | - | 942,430 | (18,929) | (37,194) | (56,123) | - | 886,307 |
| Purchase of treasury shares (Note 20) | - | - | - | - | - | - | - | - | (43,492) | (43,492) |
| Purchase of the Corporation's shares by subsidiaries (Note 20) | - | - | - | - | - | - | - | - | (17,598) | (17,598) |
| Adjustments of capital surplus for Corporation's cash dividends received by subsidiaries | - | 21,960 | - | - | - | - | - | - | - | 21,960 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed of | - | (171) | - | - | - | - | - | - | - | (171) |
| Changes in percentage of ownership interests in subsidiaries | - | 5,363 | - | - | - | - | - | - | - | 5,363 |
| BALANCE AT DECEMBER 31, 2020 | \$ 1,274,743 | \$ 1,781,028 | \$ 1,037,835 | \$ 30,984 | \$ 2,630,355 | \$ (48,030) | \$ 119,713 | \$ 71,683 | \$ (510,393) | \$ 6,316,235 |

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

SOFT-WORLD INTERNATIONAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|--|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 1,114,798 | \$ 746,717 |
| Adjustments for: | | |
| Income and expenses | | |
| Depreciation expenses | 13,935 | 10,172 |
| Amortization expenses | 12,830 | 14,117 |
| Expected credit loss recognized on trade receivables | 17,544 | 10,559 |
| Gain on fair value changes of financial assets at fair value through profit or loss | (44,190) | - |
| Finance costs | 310 | 204 |
| Interest income | (20,146) | (21,733) |
| Dividend income | (2,747) | (2,934) |
| Share of profit of subsidiaries and associates accounted for using the equity method | (325,425) | (125,496) |
| Others | 2,583 | 1,383 |
| Changes in operating assets and liabilities | | |
| Notes receivable | 626 | 475 |
| Accounts receivable | 8,264 | 18,217 |
| Accounts receivable - related parties | (4,976) | 42,246 |
| Other receivables | 175,476 | 132,144 |
| Other receivables - related parties | 6,946 | 154,576 |
| Inventories | (17,639) | 1,625 |
| Other current assets | 58,108 | (36,532) |
| Contract liabilities | (98,353) | 50,391 |
| Notes payable | (3,468) | (1,074) |
| Notes payable - related parties | (44,286) | (112,804) |
| Accounts payable | 29,304 | (14,599) |
| Accounts payable - related parties | (2,265) | 91 |
| Other payables | (134,671) | (106,504) |
| Other payables - related parties | 36,688 | (110,400) |
| Other financial liabilities | 103,650 | (52,247) |
| Other current liabilities | (321) | (5,102) |
| Net defined benefit liabilities | (1,307) | (9,321) |
| Cash generated from operations | 881,268 | 584,171 |
| Interest received | 20,739 | 22,124 |
| Dividends received | 48,298 | 8,600 |
| Interest paid | (310) | (204) |
| Income tax paid | (109,689) | (142,362) |
| Net cash generated from operating activities | <u>840,306</u> | <u>472,329</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | - | (1,588) |
| Purchase of financial assets at fair value through profit or loss | (58,860) | - |

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SOFT-WORLD INTERNATIONAL CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Acquisition of investments accounted for using the equity method | \$ (1,782) | \$ (16,474) |
| Proceeds from sale of subsidiaries | 345 | 12,785 |
| Proceeds from shares return due to capital reduction of investments accounted for using the equity method | - | 15,142 |
| Payments for property, plant and equipment | (1,334) | (3,457) |
| Increase in refundable deposits | - | (9,286) |
| Decrease in refundable deposits | 1,058 | - |
| Payments for intangible assets | (4,513) | (5,292) |
| Increase in other financial assets | <u>(657,959)</u> | <u>(399,378)</u> |
| Net cash used in investing activities | <u>(723,045)</u> | <u>(407,548)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in guarantee deposits received | - | 125 |
| Decrease in guarantee deposits received | (70) | - |
| Repayment of the principal portion of lease liabilities | (8,019) | (4,487) |
| Cash dividends distributed | (509,897) | (280,444) |
| Payments to acquire treasury shares | (43,492) | - |
| Disposal of ownership interests in subsidiaries without losing control | <u>3,891</u> | <u>-</u> |
| Net cash used in financing activities | <u>(557,587)</u> | <u>(284,806)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (440,326) | (220,025) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>2,257,842</u> | <u>2,477,867</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 1,817,516</u> | <u>\$ 2,257,842</u> |

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

(Concluded)

SOFT-WORLD INTERNATIONAL CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (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 17, 2021.

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, 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 did not have any material impact on the Corporation's accounting policies:

Amendments to IFRS 3 "Definition of a Business"

The Corporation applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. 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 that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

The initial application of the amendments to IFRS 3 did not have a material impact on the Corporation's financial statements in 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

| New IFRSs | Effective Date Announced by IASB |
|---|---|
| Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” | Effective immediately upon promulgation by the IASB |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” | January 1, 2021 |

As of the date the parent financial statements were authorized for issue, the Corporation assessed the application of other standards and interpretations would not have a significant 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) |
|--|--|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 2) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 3) |
| 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, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 6) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 7) |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 4) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 5) |

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or

after January 1, 2023.

1) Amendments to IFRS 10 and IAS 28

The amendments stipulate that, when the Corporation 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 Corporation 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 Corporation's interest as an unrelated investor in the associate or a joint venture, 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 or a joint venture, i.e. the Corporation's share of the gain or loss is eliminated.

2) Amendments to IFRS 3 "Reference to the Conceptual Framework"

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 "Levies" to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

3) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Corporation should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- a) accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- b) the Corporation may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- c) not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) the Corporation changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) the Corporation chose the accounting policy from options permitted by the standards;
- c) the accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

- d) the accounting policy relates to an area for which the Corporation is required to make significant judgements or assumptions in applying an accounting policy, and the Corporation discloses those judgements or assumptions; or
- e) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Corporation is 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 for the amount of net income, other comprehensive income and equity in the parent company only financial statements to be the same as that 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 raw materials, 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 associate, 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.

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. Other 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 property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, 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

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

i Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses

ii 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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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.

iii 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.

b) Impairment of financial assets

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 (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.

For internal credit risk management purposes, the Corporation determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i Internal or external information show that the debtor is unlikely to pay its creditors.
- ii When a financial asset is more than 365 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

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.

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.

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. Revenue recognition

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. Advance receipts of selling merchandise are recognized as "Contract liabilities".

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 and exhibition marketing projects, etc. and revenue is recognized when the project has been completed and transferred to the customer. Advance receipts of services are recognized as "Contract liabilities".

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. Advance receipts of royalty is recognized as “Contract liabilities”.

- 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 customers’ sales.

1. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost and are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets, except for those that meet the definition of investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are

presented on a separate line in the parent company only balance sheets.

m. 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 services.

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.

n. Taxation

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

1) Current tax

According to the Income Tax Act, an additional tax on unappropriated earnings 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 Corporation considers the economic implications of the COVID-19 when making its critical accounting 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.

Key Sources of Estimation Uncertainty - Estimated impairment of financial assets

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.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| Cash on hand | \$ 930 | \$ 909 |
| Bank deposits | 917,096 | 1,012,493 |
| Cash equivalents | | |
| Time deposits with original maturities of less than 3 months | <u>899,490</u> | <u>1,244,440</u> |
| | <u>\$ 1,817,516</u> | <u>\$ 2,257,842</u> |

7. NOTES AND ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Notes receivable | | |
| Operating | \$ <u>1,125</u> | \$ <u>1,751</u> |
| Accounts receivable - unrelated parties | | |
| Operating - at amortized cost | | |
| Gross carrying amount | \$ 50,728 | \$ 59,811 |
| Less: Allowance for impairment loss | <u>(59)</u> | <u>(876)</u> |
| | <u>\$ 50,669</u> | <u>\$ 58,935</u> |
| Accounts receivable - related parties (Note 27) | | |
| At amortized cost | | |
| Gross carrying amount | \$ <u>30,699</u> | \$ <u>25,723</u> |
| Other receivables (including related parties) | | |
| Receivables for receipts under custody | \$ 1,574,168 | \$ 1,771,884 |
| Less: Allowance for impairment loss - receivables for receipts under custody | <u>(66,627)</u> | <u>(61,358)</u> |
| | 1,507,541 | 1,710,526 |
| Other collection receivables | <u>12,855</u> | <u>10,427</u> |
| | <u>\$ 1,520,396</u> | <u>\$ 1,720,953</u> |
| Unrelated parties | \$ 1,460,047 | \$ 1,653,658 |
| Related parties (Note 27) | <u>60,349</u> | <u>67,295</u> |
| | <u>\$ 1,520,396</u> | <u>\$ 1,720,953</u> |

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 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 measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated 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 loss allowance based on past due status is not further distinguished according to the Corporation's different customer segments.

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:

For the year ended December 31, 2020

| | Up to 90 Days | 91 to 180 Days | 181 to 365 Days | More than 1year | Total |
|--------------------------------|--------------------------|---------------------------|----------------------------|----------------------------|------------------|
| Expected credit loss rate (%) | - | 3 | 30 | 100 | |
| Gross carrying amount | \$ 81,159 | \$ 215 | \$ - | \$ 53 | \$ 81,427 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>(6)</u> | <u>-</u> | <u>(53)</u> | <u>(59)</u> |
| Amortized cost | <u>\$ 81,159</u> | <u>\$ 209</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 81,368</u> |

For the year ended December 31, 2019

| | Up to 90 Days | 91 to 180 Days | 181 to 365 Days | More than 1year | Total |
|--------------------------------|--------------------------|---------------------------|----------------------------|----------------------------|------------------|
| Expected credit loss rate (%) | - | 3 | 30 | 100 | |
| Gross carrying amount | \$ 84,658 | \$ - | \$ - | \$ 876 | \$ 85,534 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(876)</u> | <u>(876)</u> |
| Amortized cost | <u>\$ 84,658</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 84,658</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 through cooperative channels (see Note 21), and the average credit period of receivables for channels was 30 to 120 days.

The following table details the loss allowance of receipts under custody receivables for MyCard:

For the year ended December 31, 2020

| | Up to 90 Days | 91 to 180 Days | 181 to 365 Days | More than 1year | Total |
|--------------------------------|----------------------|-----------------------|------------------------|----------------------------|---------------------|
| Expected credit loss rate (%) | - | 3 | 30 | 100 | |
| Gross carrying amount | \$ 1,449,410 | \$ 45,018 | \$ 24,699 | \$ 55,041 | \$ 1,574,168 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>(1,384)</u> | <u>(10,202)</u> | <u>(55,041)</u> | <u>(66,627)</u> |
| Amortized cost | <u>\$ 1,449,410</u> | <u>\$ 43,634</u> | <u>\$ 14,497</u> | <u>\$ -</u> | <u>\$ 1,507,541</u> |

For the year ended December 31, 2019

| | Up to 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 | \$ 1,646,528 | \$ 48,675 | \$ 26,150 | \$ 50,531 | \$ 1,771,884 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>(1,467)</u> | <u>(9,360)</u> | <u>(50,531)</u> | <u>(61,358)</u> |
| Amortized cost | <u>\$ 1,646,528</u> | <u>\$ 47,208</u> | <u>\$ 16,790</u> | <u>\$ -</u> | <u>\$ 1,710,526</u> |

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

| | For the Year Ended December 31, 2020 | | |
|--|---|--------------------------|------------------|
| | Accounts Receivable | Other Receivables | Total |
| Balance at January 1 | \$ 876 | \$ 61,358 | \$ 62,234 |
| Add: Impairment losses recognized in accounts receivable and other receivables | 2 | 17,542 | 17,544 |
| Less: Amounts written off | <u>(819)</u> | <u>(12,273)</u> | <u>(13,092)</u> |
| Balance at December 31 | <u>\$ 59</u> | <u>\$ 66,627</u> | <u>\$ 66,686</u> |

| | For the Year Ended December 31, 2019 | | |
|--|---|--------------------------|------------------|
| | Accounts Receivable | Other Receivables | Total |
| Balance at January 1 | \$ 496 | \$ 67,643 | \$ 68,139 |
| Add: Impairment losses recognized in accounts receivable and other receivables | 380 | 10,179 | 10,559 |
| Less: Amounts written off | <u>-</u> | <u>(16,464)</u> | <u>(16,464)</u> |
| Balance at December 31 | <u>\$ 876</u> | <u>\$ 61,358</u> | <u>\$ 62,234</u> |

8. INVENTORIES

| | December 31 | |
|----------------|--------------------|------------------|
| | 2020 | 2019 |
| Raw materials | \$ - | \$ 109 |
| Finished goods | 154 | 157 |
| Merchandise | <u>41,465</u> | <u>22,303</u> |
| | <u>\$ 41,619</u> | <u>\$ 22,569</u> |

9. OTHER FINANCIAL ASSETS

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Pledged demand deposits (Note 28) | \$ 35,000 | \$ 35,000 |
| Restricted deposits | 3,644 | 10,095 |
| Time deposits with original maturities of more than 3 months | <u>2,320,640</u> | <u>1,656,230</u> |
| | <u>\$ 2,359,284</u> | <u>\$ 1,701,325</u> |
| Current | \$ 2,355,640 | \$ 1,691,230 |
| Noncurrent | <u>3,644</u> | <u>10,095</u> |
| | <u>\$ 2,359,284</u> | <u>\$ 1,701,325</u> |

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS - NONCURRENT - DECEMBER 31, 2020

| | Amount |
|---|-------------------|
| <u>Mandatorily classified as at FVTPL</u> | |
| Foreign listed shares | <u>\$ 103,050</u> |

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

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Listed shares | \$ 125,649 | \$ 130,995 |
| Emerging market shares | 3,209 | - |
| Private - placement shares of listed companies | 146,192 | 163,000 |
| Domestic unlisted shares | <u>-</u> | <u>1,418</u> |
| | <u>\$ 275,050</u> | <u>\$ 295,413</u> |

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | <u>December 31</u> | |
|-----------------------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Investments in subsidiaries | \$ 3,352,241 | \$ 3,103,590 |
| Investments in associates | <u>11,594</u> | <u>18,297</u> |
| | <u>\$ 3,363,835</u> | <u>\$ 3,121,887</u> |

a. Investments in subsidiaries

| | December 31, 2020 | | December 31, 2019 | |
|--|---------------------|---|---------------------|---|
| | Amount | Proportion of Ownership and Voting Rights (%) | Amount | Proportion of Ownership and Voting Rights (%) |
| Listed company | | | | |
| Chinese Gamer International Corporation (Chinese Gamer) | \$ 522,559 | 49 | \$ 524,750 | 49 |
| Unlisted company | | | | |
| Soft-World Technology Pte. Ltd. | 8,215 | 100 | 5,620 | 100 |
| Game Flier International Corporation (Game Flier) | 870,565 | 98 | 750,778 | 98 |
| Global Concept Corporation (Global Concept) | 276,231 | 100 | 247,384 | 100 |
| Game First International Corporation (Game First) | 237,608 | 70 | 239,920 | 70 |
| Zealot Digital International Corporation | 69,999 | 99 | 71,193 | 99 |
| Zealot Digital Pte. Ltd. | - | - | 548 | 100 |
| Soft-World International (Hong Kong) Corporation | 544,769 | 100 | 535,164 | 100 |
| Dynasty International Information Corporation | 17,022 | 86 | 18,125 | 86 |
| Jhieh Long Venture Capital Corporation (Jhieh Long) | 7,895 | 13 | 8,521 | 13 |
| Sofaman Corporation (Sofaman) | 462 | 60 | 482 | 60 |
| Interactive Entertainment Technology Co., Ltd. (Interactive Entertainment) | 17,344 | 80 | 15,660 | 80 |
| Fast Distributed Cloud Computing Co., Ltd. | 38,988 | 90 | 40,857 | 100 |
| Newweb Technologies Co., Ltd. | 451,849 | 50 | 440,219 | 50 |
| Efun International Corporation | 264,351 | 80 | 182,463 | 80 |
| Long Xiang Investment Corporation (Long Xiang) | 20,478 | 44 | 21,906 | 44 |
| CELAD Incorporated (CELAD) | 345 | 32 | (785) | 32 |
| We Can Financial Technology Co., Ltd. (We Can) | 3,561 | 51 | - | 38 |
| | <u>3,352,241</u> | | <u>3,102,805</u> | |
| Credit balance of long-term investments reclassified to other liabilities | - | | <u>785</u> | |
| | <u>\$ 3,352,241</u> | | <u>\$ 3,103,590</u> | |

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:

| | <u>December 31</u> | |
|---------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Chinese Gamer | <u>\$ 2,617,513</u> | <u>\$ 3,714,774</u> |

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

- 1) The Corporation continuously increased its investments in Game Flier in 2020 and 2019 which amounted to \$72 thousand and \$99 thousand, respectively.
- 2) Sofaman increased capital in cash of 11,000 thousand in March 2019, and the Corporation subscribed for the shares for \$6,600 thousand in accordance with the original shareholding percentage.
- 3) In May 2019, Efun International Corporation issued new shares for \$26,000 thousand in exchange for the Corporation's 51% equity in the subsidiary, Re: Ad Media (Taiwan), and the remaining outstanding shares of Re: Ad Media (Taiwan). As a result, the ownership percentage of the Corporation decreased to 80%.
- 4) CELAD increased capital in cash in June 2019, and the Corporation subscribed for the shares for \$7,500 thousand.
- 5) Efun International Co., Ltd. completed liquidation in June 2019, and refunded shares of \$6,378 thousand.
- 6) Soft-World Technology Pte. Ltd. implemented a capital reduction in November 2019, and the Corporation decreased the amount of investments according to the percentage of capital reduction and received a refund of shares of \$15,142 thousand.
- 7) Re: Ad Media completed liquidation in December 2019, and refunded shares of \$6,407 thousand.
- 8) The Corporation acquired the shares of We Can for \$1,710 thousand and \$2,275 thousand in the first quarter of 2020 and 2019, respectively. The Corporation obtained control over the investee since March 2020, and the investee had been included in the consolidated financial statements since then. For related information, refer to Note 27: Business Combinations to the consolidated financial statements for the year ended December 31, 2020. In addition, the Corporation disposed of We Can's shares in May 2020, resulting in the decrease of the shareholding ratio from 52% to 51%. The disposal price was \$120 thousand, and 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 of \$47 thousand.
- 9) Fast Distributed Cloud's shareholding of the Corporation decreased from 100% to 90% due to the sale of the shares by the Corporation in August 2020. The disposal price was \$3,771 thousand, and 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 of \$218 thousand.
- 10) In September 2020, Neweb Technologies carried out a capital reduction for offsetting its accumulated deficits of \$359,414 thousand.
- 11) Zealot completed liquidation procedures in December 2020, and refunded shares of \$345 thousand.

b. Investments in associates

| | <u>December 31</u> | |
|---|---------------------------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Investments in associates - associates that are not individually material | <u>\$ 11,594</u> | <u>\$ 18,297</u> |
| Aggregate information of associates that are not individually material : | | |
| | <u>For the Year Ended December 31</u> | |
| | <u>2020</u> | <u>2019</u> |
| The Corporation's share of: | | |
| Total loss and other comprehensive income (loss) for the year | <u>\$ (673)</u> | <u>\$ (5,626)</u> |

13. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2020

| | <u>Land</u> | <u>Buildings</u> | <u>Equipment</u> | <u>Miscellaneous Equipment</u> | <u>Others</u> | <u>Total</u> |
|---------------------------------------|-------------------|-------------------|------------------|------------------------------------|---------------|-------------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2020 | \$ 215,321 | \$ 183,407 | \$ 3,845 | \$ 502 | \$ 180 | \$ 403,255 |
| Additions | - | - | 145 | 1,189 | - | 1,334 |
| Disposals | - | - | (341) | - | - | (341) |
| Balance at December 31, 2020 | <u>\$ 215,321</u> | <u>\$ 183,407</u> | <u>\$ 3,649</u> | <u>\$ 1,691</u> | <u>\$ 180</u> | <u>\$ 404,248</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance at January 1, 2020 | \$ - | \$ 54,068 | \$ 1,319 | \$ 286 | \$ 85 | \$ 55,758 |
| Depreciation expenses | - | 4,304 | 1,281 | 199 | 60 | 5,844 |
| Disposals | - | - | (341) | - | - | (341) |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>\$ 58,372</u> | <u>\$ 2,259</u> | <u>\$ 485</u> | <u>\$ 145</u> | <u>\$ 61,261</u> |
| Carrying amounts at December 31, 2020 | <u>\$ 215,321</u> | <u>\$ 125,035</u> | <u>\$ 1,390</u> | <u>\$ 1,206</u> | <u>\$ 35</u> | <u>\$ 342,987</u> |

For the year ended December 31, 2019

| | <u>Land</u> | <u>Buildings</u> | <u>Equipment</u> | <u>Miscellaneous Equipment</u> | <u>Others</u> | <u>Total</u> |
|---------------------------------------|-------------------|-------------------|------------------|------------------------------------|---------------|-------------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2019 | \$ 215,321 | \$ 183,407 | \$ 5,615 | \$ 355 | \$ 180 | \$ 404,878 |
| Additions | - | - | 1,030 | 147 | - | 1,177 |
| Disposals | - | - | (2,800) | - | - | (2,800) |
| Balance at December 31, 2019 | <u>\$ 215,321</u> | <u>\$ 183,407</u> | <u>\$ 3,845</u> | <u>\$ 502</u> | <u>\$ 180</u> | <u>\$ 403,255</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance at January 1, 2019 | \$ - | \$ 49,763 | \$ 2,989 | \$ 178 | \$ 25 | \$ 52,955 |
| Depreciation expenses | - | 4,305 | 1,130 | 108 | 60 | 5,603 |
| Disposals | - | - | (2,800) | - | - | (2,800) |
| Balance at December 31, 2019 | <u>\$ -</u> | <u>\$ 54,068</u> | <u>\$ 1,319</u> | <u>\$ 286</u> | <u>\$ 85</u> | <u>\$ 55,758</u> |
| Carrying amounts at December 31, 2019 | <u>\$ 215,321</u> | <u>\$ 129,339</u> | <u>\$ 2,526</u> | <u>\$ 216</u> | <u>\$ 95</u> | <u>\$ 347,497</u> |

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 | 3years |
| Miscellaneous Equipment | 3-5years |
| Others | 3years |

14. LEASE ARRANGEMENTS

a. Right-of-use assets

For the year ended December 31, 2020

| | Buildings |
|--------------------------------------|------------------|
| <u>Cost</u> | |
| Balance at January 1, 2020 | \$ 19,282 |
| Additions | <u>4,503</u> |
| Balance at December 31, 2020 | <u>\$ 23,785</u> |
| <u>Accumulated depreciation</u> | |
| Balance at January 1, 2020 | \$ 4,569 |
| Depreciation expenses | <u>8,091</u> |
| Balance at December 31, 2020 | <u>\$ 12,660</u> |
| Carrying amount at December 31, 2020 | <u>\$ 11,125</u> |

For the year ended December 31, 2019

| | Buildings |
|--------------------------------------|------------------|
| <u>Cost</u> | |
| Balance at January 1, 2019 | \$ 9,122 |
| Additions | <u>10,160</u> |
| Balance at December 31, 2019 | <u>\$ 19,282</u> |
| <u>Accumulated depreciation</u> | |
| Balance at January 1, 2019 | \$ - |
| Depreciation expenses | <u>4,569</u> |
| Balance at December 31, 2019 | <u>\$ 4,569</u> |
| Carrying amount at December 31, 2019 | <u>\$ 14,713</u> |

b. Lease liabilities

| | <u>December 31</u> | |
|------------------|--------------------|-----------------|
| | <u>2020</u> | <u>2019</u> |
| Carrying amounts | | |
| Current | \$ <u>7,003</u> | \$ <u>6,736</u> |
| Noncurrent | \$ <u>4,276</u> | \$ <u>8,059</u> |

Range of discount rate for lease liabilities was as follows:

| | <u>December 31</u> | |
|---------------|--------------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Buildings (%) | 2.11-2.20 | 2.11-2.20 |

c. Material lease activities and terms

The Corporation's leases relate to buildings with lease terms successively expiring in May 2023. The Corporation is able to renew the leases when they expire.

d. Other lease information

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Expenses relating to short-term leases | \$ <u>6,894</u> | \$ <u>6,953</u> |
| Expenses relating to low-value asset leases | \$ <u>465</u> | \$ <u>82</u> |
| Total cash outflow for leases | \$ <u>15,688</u> | \$ <u>11,726</u> |

The Corporation has elected to apply the recognition exemption for leases which qualify as short-term leases and low-value asset leases and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. OTHER INTANGIBLE ASSETS

For the year ended December 31, 2020

| Cost | Computer Software |
|------------------------------|------------------------------|
| Balance at January 1, 2020 | \$ 30,890 |
| Additions | 4,513 |
| Write-off | <u>(4,785)</u> |
| Balance at December 31, 2020 | <u>\$ 30,618</u> |

(Continued)

| <u>Accumulated amortization</u> | Computer Software |
|--------------------------------------|---------------------------------|
| Balance at January 1, 2020 | \$ 12,564 |
| Amortization expenses | 12,830 |
| Write-off | <u>(4,785)</u> |
| Balance at December 31, 2020 | <u>\$ 20,609</u> |
| Carrying amount at December 31, 2020 | <u>\$ 10,009</u> (Concluded) |

For the year ended December 31, 2019

| <u>Cost</u> | Computer Software |
|--------------------------------------|--------------------------|
| Balance at January 1, 2019 | \$ 55,246 |
| Additions | 5,292 |
| Write-off | <u>(29,648)</u> |
| Balance at December 31, 2019 | <u>\$ 30,890</u> |
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2019 | \$ 28,095 |
| Amortization expenses | 14,117 |
| Write-off | <u>(29,648)</u> |
| Balance at December 31, 2019 | <u>\$ 12,564</u> |
| Carrying amount at December 31, 2019 | <u>\$ 18,326</u> |

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

The Corporation's notes payable and accounts payable are generated from operating activities. The average credit period on purchases of goods was 30 to 90 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> | |
|---|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Payables for receipts under custody | \$ 2,044,221 | \$ 2,201,931 |
| Payables for circulation | 144,179 | 157,526 |
| Payables for salaries or bonuses | 78,486 | 63,705 |
| Payables for compensation of employees, board of director and supervisors | 71,353 | 47,734 |
| Payables for value-added taxes | 49,083 | 47,503 |
| Payables for annual leave | 10,930 | 10,435 |
| Others | <u>32,460</u> | <u>36,549</u> |
| | <u>\$ 2,430,712</u> | <u>\$ 2,565,383</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.

18. OTHER FINANCIAL LIABILITIES - CURRENT

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Other financial liabilities - current | | |
| Temporary receipts from the sale of MyCard | <u>\$ 738,814</u> | <u>\$ 635,164</u> |

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 | |
|---|--------------------|------------------|
| | 2020 | 2019 |
| Present value of defined benefit obligation | \$ 100,769 | \$ 104,593 |
| Fair value of plan assets | <u>(27,042)</u> | <u>(31,096)</u> |
| Deficit | 73,727 | 73,497 |
| Recognized in other payables | <u>(108)</u> | <u>(116)</u> |
| Net defined benefit liabilities | <u>\$ 73,619</u> | <u>\$ 73,381</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 Liabilities |
|---|--|--|--|
| Balance at January 1, 2019 | <u>\$ 104,965</u> | <u>\$ (23,486)</u> | <u>\$ 81,479</u> |
| Service cost | | | |
| Current service cost | 1,013 | - | 1,013 |
| Interest expense (income) | <u>1,281</u> | <u>(271)</u> | <u>1,010</u> |
| Recognized in profit or loss | <u>2,294</u> | <u>(271)</u> | <u>2,023</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (877) | (877) |
| Actuarial loss (gain) | | | |
| changes in demographic assumptions | 1,776 | - | 1,776 |
| changes in financial assumptions | 4,675 | - | 4,675 |
| experience adjustments | <u>(4,214)</u> | <u>-</u> | <u>(4,214)</u> |
| Recognized in other comprehensive income | <u>2,237</u> | <u>(877)</u> | <u>1,360</u> |
| Contributions from the employer | - | (11,365) | (11,365) |
| Benefits paid | <u>(4,903)</u> | <u>4,903</u> | <u>-</u> |
| | <u>(4,903)</u> | <u>(6,462)</u> | <u>(11,365)</u> |
| Balance at December 31, 2019 | <u>104,593</u> | <u>(31,096)</u> | <u>73,497</u> |
| Service cost | | | |
| Current service cost | 1,045 | - | 1,045 |
| Interest expense (income) | <u>915</u> | <u>(282)</u> | <u>633</u> |
| Recognized in profit or loss | <u>1,960</u> | <u>(282)</u> | <u>1,678</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (849) | (849) |
| Actuarial loss (gain) | | | |
| changes in demographic assumptions | 124 | - | 124 |
| changes in financial assumptions | 4,481 | - | 4,481 |
| experience adjustments | <u>(2,211)</u> | <u>-</u> | <u>(2,211)</u> |
| Recognized in other comprehensive income | <u>2,394</u> | <u>(849)</u> | <u>1,545</u> |

(Continued)

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---------------------------------|--|--|--|
| Contributions from the employer | \$ - | \$ (1,259) | \$ (1,259) |
| Benefits paid | | | |
| Paid from plan assets | (6,444) | 6,444 | - |
| Paid from company assets | <u>(1,734)</u> | <u>-</u> | <u>(1,734)</u> |
| | <u>(8,178)</u> | <u>5,185</u> | <u>(2,993)</u> |
| Balance at December 31, 2020 | <u>\$ 100,769</u> | <u>\$ (27,042)</u> | <u>\$ 73,727</u> (Concluded) |

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 | |
|--------------------------------------|--------------------|-------------|
| | 2020 | 2019 |
| Discount rate (%) | 0.500 | 0.875 |
| 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 | |
|----------------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Discount rate | | |
| 0.25% increase | <u>\$ (3,018)</u> | <u>\$ (3,171)</u> |
| 0.25% decrease | <u>\$ 3,143</u> | <u>\$ 3,305</u> |
| Expected rate of salary increase | | |
| 0.25% increase | <u>\$ 3,032</u> | <u>\$ 3,200</u> |
| 0.25% decrease | <u>\$ (2,928)</u> | <u>\$ (3,087)</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 | |
|---|--------------------|-----------------|
| | 2020 | 2019 |
| Expected contributions to the plan for the next year | <u>\$ 1,490</u> | <u>\$ 2,320</u> |
| Average duration of the defined benefit obligation (year) | 12.3 | 12.6 |

20. EQUITY

a. Ordinary share capital

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| 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 | |
|--|--------------------|--------------|
| | 2020 | 2019 |
| <u>May be used to offset deficits, distributed as cash dividends or transferred to share capital (see 1 below)</u> | | |
| Issuance of ordinary shares | \$ 1,229,758 | \$ 1,229,758 |
| Conversion of bonds | 245,975 | 245,975 |
| Treasury share transactions | 81,770 | 59,810 |
| Difference between the consideration and carrying amount of subsidiaries acquired or disposed | 59,180 | 59,351 |

(Continued)

| | December 31 | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| <u>May be used to offset deficits only (see 2 below)</u> | | |
| Changes in percentage of ownership interests in subsidiaries | \$ 157,390 | \$ 152,027 |
| Changes in percentage of ownership interests in associates | <u>6,955</u> | <u>6,955</u> |
| | <u>\$ 1,781,028</u> | <u>\$ 1,753,876</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.

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 (g) 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.

The 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 2019 and 2018 which were proposed and approved in the shareholders' meetings on June 18, 2020 and 2019, respectively, were as follows:

| | <u>Appropriation of Earnings</u> | | <u>Dividends Per Share (NT\$)</u> | |
|-------------------------------|----------------------------------|-------------------|-----------------------------------|----------------|
| | <u>For the Year Ended</u> | | <u>For the Year Ended</u> | |
| | <u>December 31</u> | | <u>December 31</u> | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Legal reserve | \$ 61,058 | \$ 46,132 | | |
| (Reversal of) Special reserve | (89,540) | 95,407 | | |
| Cash dividends | <u>509,897</u> | <u>280,444</u> | <u>\$ 4.00</u> | <u>\$ 2.20</u> |
| | <u>\$ 481,415</u> | <u>\$ 421,983</u> | | |

The appropriations of earnings for 2020 had been proposed by the board of directors on March 17, 2021 as follows:

| | <u>Appropriation of Earnings</u> | <u>Dividends Per Share (NT\$)</u> |
|-----------------------------|----------------------------------|-----------------------------------|
| Legal reserve | \$ 94,243 | |
| Reversal of special reserve | (5,867) | |
| Cash dividends | <u>761,480</u> | <u>\$ 6.00</u> |
| | <u>\$ 849,856</u> | |

The appropriations of earnings for 2020 are subject to the resolution of the shareholders in the shareholders' meeting to be held in June 2021.

d. Special reserve

Upon initial application of IFRSs, the amount of cumulative translation adjustments transferred to retained earnings was \$25,117 thousand, and the Corporation had set aside an equal amount of special reserve. In June 2020 and 2019, the shareholders approved the recognition of the difference between the market price (lower than the carrying amount) and the carrying amount of the shares of the Corporation held by its subsidiaries at the end of 2019 of \$89,540 thousand as reversal of special reserve and at the end of 2018 of \$95,407 thousand as special reserve, respectively, which was calculated based on the Corporation's combined shareholding ratio. Should the market price increase in the future, the increase can be subsequently reversed.

e. Other equity items

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

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|--------------------|
| | <u>2020</u> | <u>2019</u> |
| Balance, beginning of year | \$ (29,101) | \$ (11,367) |
| Recognized for the year | | |
| Exchange differences arising on translating the net investments in foreign operations | (21,533) | (15,999) |
| Related income tax arising from exchange differences | 4,386 | 3,237 |
| Share from subsidiaries and associates accounted for using the equity method | <u>(1,782)</u> | <u>(4,972)</u> |
| Balance, end of year | <u>\$ (48,030)</u> | <u>\$ (29,101)</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Balance, beginning of year | \$ 156,907 | \$ 174,445 |
| Recognized for the year | | |
| Unrealized loss - equity instruments | (20,363) | (18,749) |
| Share from subsidiaries accounted for using the equity method | <u>(16,831)</u> | <u>1,211</u> |
| Balance, end of year | <u>\$ 119,713</u> | <u>\$ 156,907</u> |

f. Treasury shares

| Purpose of Treasury Shares | Thousand Shares | | | December 31 | |
|---|------------------------------|-----------------|------------------|------------------------|-------------------|
| | Beginning of the Year | Addition | Reduction | Thousand Shares | Book Value |
| For the year ended December 31, 2020 | | | | | |
| The Corporation's shares held by its subsidiaries | <u>5,330</u> | <u>245</u> | <u>-</u> | <u>5,575</u> | <u>\$ 466,901</u> |
| Transfer shares to employees | <u>-</u> | <u>561</u> | <u>-</u> | <u>561</u> | <u>\$ 43,492</u> |
| For the year ended December 31, 2019 | | | | | |
| The Corporation's shares held by its subsidiaries | <u>5,330</u> | <u>-</u> | <u>-</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.

As of December 31, 2020 and 2019, the market value of the treasury shares calculated by the combined shareholding percentage was \$590,987 thousand and \$443,436 thousand, respectively.

21. REVENUE

a. Revenue from contracts with customers

| | For the Year Ended December 31 | |
|-----------------------|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Rendering of services | \$ 2,396,766 | \$ 2,147,791 |
| Sale of goods | 285,637 | 179,682 |
| Licensing revenue | <u>36,859</u> | <u>8,115</u> |
| | <u>\$ 2,719,262</u> | <u>\$ 2,335,588</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.

- 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 and exhibition marketing, 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 customers' sales agreed in the contract.

b. Contract balances

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|---|------------------------------|------------------------------|----------------------------|
| Notes receivable, accounts receivable, and other receivables (receivables under custody) (including related parties) (Note 7) | <u>\$ 1,590,034</u> | <u>\$ 1,796,935</u> | <u>\$ 2,029,039</u> |
| Contract liabilities | | | |
| Advance receipts of services | \$ 26,279 | \$ 107,246 | \$ 49,253 |
| Royalty fee for games | 10,658 | 28,004 | 35,577 |
| Others | <u>1,439</u> | <u>1,479</u> | <u>1,508</u> |
| | <u>\$ 38,376</u> | <u>\$ 136,729</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

a. Interest income

| | For the Year Ended December 31 | |
|---------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Bank deposits | \$ 20,142 | \$ 21,519 |
| Others | <u>4</u> | <u>214</u> |
| | <u>\$ 20,146</u> | <u>\$ 21,733</u> |

b. Other income

| | For the Year Ended December 31 | |
|-----------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Rental income | \$ 3,364 | \$ 3,328 |
| Dividend income | 2,747 | 2,934 |
| Others | <u>11,394</u> | <u>21,808</u> |
| | <u>\$ 17,505</u> | <u>\$ 28,070</u> |

c. Other gains and losses

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2020 | 2019 |
| Net foreign exchange gain | \$ 2,792 | \$ 6,921 |
| Financial assets designated as at FVTPL | 44,190 | - |
| Loss on miscellaneous disbursements | <u>(6,881)</u> | <u>(3,075)</u> |
| | <u>\$ 40,101</u> | <u>\$ 3,846</u> |

d. Finance costs

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|---------------|
| | 2020 | 2019 |
| Interest on lease liabilities | <u>\$ 310</u> | <u>\$ 204</u> |

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Property, plant and equipment | \$ 5,844 | \$ 5,603 |
| Right-of-use assets | 8,091 | 4,569 |
| Other intangible assets | <u>12,830</u> | <u>14,117</u> |
| | <u>\$ 26,765</u> | <u>\$ 24,289</u> |

(Continued)

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 384 | \$ 330 |
| Operating expenses | <u>13,551</u> | <u>9,842</u> |
| | <u>\$ 13,935</u> | <u>\$ 10,172</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 14 | \$ - |
| Operating expenses | <u>12,816</u> | <u>14,117</u> |
| | <u>\$ 12,830</u> | <u>\$ 14,117</u> |

(Concluded)

f. Employee benefits

| | For the Year Ended December 31 | |
|---------------------------------|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Short-term employee benefits | <u>\$ 427,425</u> | <u>\$ 389,880</u> |
| Post-employment benefits | | |
| Defined contribution plans | 13,553 | 13,128 |
| Defined benefit plans (Note 19) | <u>1,678</u> | <u>2,023</u> |
| | <u>15,231</u> | <u>15,151</u> |
| Employee benefits expense | <u>\$ 442,656</u> | <u>\$ 405,031</u> |
| An analysis by function | | |
| Operating costs | \$ 10,280 | \$ 27,613 |
| Operating expenses | <u>432,376</u> | <u>377,418</u> |
| | <u>\$ 442,656</u> | <u>\$ 405,031</u> |

g. 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, 2020 and 2019, which were approved by the Corporation's board of directors on March 17, 2021 and March 25, 2020, respectively, are as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------|
| | 2020 | 2019 |
| Accrual rate | | |
| Employees' compensation (%) | 5 | 5 |
| Remuneration of directors and supervisors (%) | 1 | 1 |

(Continued)

| Amount | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|-------------|
| | 2020 | 2019 |
| Employees' compensation | \$ 59,461 | \$ 39,778 |
| Remuneration of directors and supervisors | 11,892 | 7,956 |
| | | (Concluded) |

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, 2019 and 2018, 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, 2019 and 2018.

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.

h. Gains or losses on foreign currency exchange

| | <u>For the Year Ended December 31</u> | |
|-------------------------|---------------------------------------|-----------------|
| | 2020 | 2019 |
| Foreign exchange gains | \$ 5,994 | \$ 10,917 |
| Foreign exchange losses | <u>(3,202)</u> | <u>(3,996)</u> |
| Net gain | <u>\$ 2,792</u> | <u>\$ 6,921</u> |

23. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Current tax | | |
| In respect of the current year | \$ 85,202 | \$ 109,482 |
| Income tax on unappropriated earnings | 6,443 | 1,729 |
| Adjustments for prior years | <u>(316)</u> | <u>5,151</u> |
| | <u>91,329</u> | <u>116,362</u> |
| Deferred tax | | |
| In respect of the current year | <u>79,702</u> | <u>19,775</u> |
| Income tax expense recognized in profit or loss | <u>\$ 171,031</u> | <u>\$ 136,137</u> |

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Profit before income tax | \$ <u>1,114,798</u> | \$ <u>746,717</u> |
| Income tax expense calculated at the statutory rate | \$ 222,960 | \$ 149,343 |
| Deductible income in determining taxable income | (48,518) | (13,132) |
| Tax-exempt income | (549) | (587) |
| Realized investment losses | (14,836) | - |
| Income tax on unappropriated earnings | 6,443 | 1,729 |
| Unrecognized temporary differences | 5,765 | (6,406) |
| Others | 82 | 39 |
| Adjustments for prior years' tax | <u>(316)</u> | <u>5,151</u> |
| Income tax expense recognized in profit or loss | \$ <u>171,031</u> | \$ <u>136,137</u> |

b. Income tax benefit recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---------------------------------------|---------------------------------------|-----------------|
| | 2020 | 2019 |
| Recognized during the period | | |
| Translation of foreign operations | \$ 4,386 | \$ 3,237 |
| Remeasurement of defined benefit plan | <u>309</u> | <u>272</u> |
| | \$ <u>4,695</u> | \$ <u>3,509</u> |

c. Current tax liabilities

| | December 31 | |
|-------------------------|--------------------|------------------|
| | 2020 | 2019 |
| Current tax liabilities | | |
| Income tax payable | \$ <u>33,533</u> | \$ <u>51,893</u> |

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2020

| | 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 | \$ 14,676 | \$ (261) | \$ 309 | \$ 14,724 |
| Bad debts over limits | 12,272 | (12,272) | - | - |
| Loss on inventories | 2,827 | (480) | - | 2,347 |

(Continued)

| | Balance, Beginning of Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Balance, End of Year |
|--|----------------------------------|---------------------------------|---|----------------------------------|
| Exchange differences on translating the financial statements of foreign operations | \$ - | \$ - | \$ 231 | \$ 231 |
| Others | <u>6,526</u> | <u>828</u> | <u>-</u> | <u>7,354</u> |
| | <u>\$ 36,301</u> | <u>\$ (12,185)</u> | <u>\$ 540</u> | <u>\$ 24,656</u> |
| <hr/> <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Gain from foreign investments accounted for using the equity method | \$ 35,351 | \$ 58,696 | \$ - | \$ 94,047 |
| Exchange differences on translating the financial statements of foreign operations | 4,155 | - | (4,155) | - |
| Financial assets at fair value through profit/loss | - | 8,838 | - | 8,838 |
| Others | <u>55</u> | <u>(17)</u> | <u>-</u> | <u>38</u> |
| | <u>\$ 39,561</u> | <u>\$ 67,517</u> | <u>\$ (4,155)</u> | <u>\$ 102,923</u> (Concluded) |

For the year ended December 31, 2019

| | Balance, Beginning of Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Balance, End of Year |
|--|----------------------------------|---------------------------------|---|-------------------------|
| <hr/> <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Defined benefit obligations | \$ 16,576 | \$ (2,172) | \$ 272 | \$ 14,676 |
| Bad debts over limits | 9,438 | 2,834 | - | 12,272 |
| Loss on inventories | 2,744 | 83 | - | 2,827 |
| Others | <u>6,106</u> | <u>420</u> | <u>-</u> | <u>6,526</u> |
| | <u>\$ 34,864</u> | <u>\$ 1,165</u> | <u>\$ 272</u> | <u>\$ 36,301</u> |
| <hr/> <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Gain from foreign investments accounted for using the equity method | \$ 14,316 | \$ 21,035 | \$ - | \$ 35,351 |
| Exchange differences on translating the financial statements of foreign operations | 7,392 | - | (3,237) | 4,155 |
| Others | <u>150</u> | <u>(95)</u> | <u>-</u> | <u>55</u> |
| | <u>\$ 21,858</u> | <u>\$ 20,940</u> | <u>\$ (3,237)</u> | <u>\$ 39,561</u> |

e. Income tax assessments

The Corporation's income tax returns through 2018 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

| | <u>For the Year Ended December 31</u> | |
|-------------------------|--|-------------------|
| | 2020 | 2019 |
| Net profit for the year | <u>\$ 943,767</u> | <u>\$ 610,580</u> |

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

| | <u>For the Year Ended December 31</u> | |
|--|--|----------------|
| | 2020 | 2019 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 121,610 | 122,145 |
| Add: Employees' compensation issued to employees | <u>697</u> | <u>572</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>122,307</u> | <u>122,717</u> |

The Corporation offered to settle the compensation paid to employees in cash or shares, therefore, 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. 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, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|-------------------|-------------|-------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Foreign listed shares | \$ 103,050 | \$ - | \$ - | \$ 103,050 |
| <u>Financial assets at FVTOCI</u> | | | | |
| Domestic and foreign listed marketable security investments in equity instruments | \$ 125,649 | \$ - | \$ - | \$ 125,649 |
| Domestic emerging marketable security investments in equity instruments | - | 3,209 | - | 3,209 |
| Private - placement shares of domestic listed companies | - | 146,192 | - | 146,192 |
| | <u>\$ 125,649</u> | <u>\$ 149,401</u> | <u>\$ -</u> | <u>\$ 275,050</u> |

December 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|-------------------|-----------------|-------------------|
| <u>Financial assets at FVTOCI</u> | | | | |
| Domestic and foreign listed marketable security investments in equity instruments | \$ 130,995 | \$ - | \$ - | \$ 130,995 |
| Private - placement shares of domestic listed companies | - | 163,000 | - | 163,000 |
| Domestic unlisted shares | - | - | 1,418 | 1,418 |
| | <u>\$ 130,995</u> | <u>\$ 163,000</u> | <u>\$ 1,418</u> | <u>\$ 295,413</u> |

There were no transfers between Levels 1 and 2 for the year ended December 31, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial instruments

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ 1,418 | \$ 45,500 |
| Recognized in other comprehensive income (loss) | - | (45,670) |
| Purchases | - | 1,588 |
| Transfers out of Level 3 | <u>(1,418)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ -</u> | <u>\$ 1,418</u> |

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

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|--|---|
| Domestic marketable securities (emerging market) - investments in equity instruments | If the emerging market shares are not traded in an active market, the management adopts valuation techniques to establish the fair value of the emerging market 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 |

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

The fair values of domestic unlisted shares were assessed and determined by the management based on observable market prices.

c. Categories of financial instruments

| | December 31 | |
|--|--------------------|--------------|
| | 2020 | 2019 |
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (1) | \$ 5,790,756 | \$ 5,778,654 |
| Financial assets at FVTPL | 103,050 | - |
| Financial assets at FVTOCI | 275,050 | 295,413 |
| <u>Financial liabilities</u> | | |
| Amortized cost (2) | 3,471,887 | 3,487,005 |

1) The balances include financial assets 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 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 30. There is no material impacts on the Corporation's financial statements.

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 | |
|------------------------------|--------------------|--------------|
| | 2020 | 2019 |
| Cash flow interest rate risk | | |
| Financial assets | \$ 1,892,640 | \$ 2,697,548 |

The Corporation assessed that their holdings of fixed-rate time deposits and lease liabilities did not have significant fair value risk.

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 years ended December 31, 2020 and 2019 would increase/decrease by \$18,926 thousand and \$26,975 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 and foreign 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 profit for the year ended December 31, 2020 would have increased/decreased by \$1,031 thousand, as a result of the changes in fair value of financial assets at FVTPL.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the year ended December 31, 2020 and 2019 would have increased/decreased by \$2,751 thousand and \$2,954 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a 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 (receivables for receipts under custody):

| | <u>December 31</u> | |
|---------|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Group A | \$ 513,999 | \$ 621,052 |
| Group B | <u>222,111</u> | <u>273,605</u> |
| | <u>\$ 736,110</u> | <u>\$ 894,657</u> |

The Corporation's concentration of credit risk accounted for 44% and 48% of total accounts receivable and other receivables (receivables for receipts under custody) from the above-mentioned groups as of December 31, 2020 and 2019, 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 table 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 | More than 1 year | Total |
|--------------------------------------|----------------------------|------------------------------|-----------------------------|--------------|
| <u>December 31, 2020</u> | | | | |
| Non-derivative financial liabilities | | | | |
| Non-interest bearing liabilities | \$ 3,392,506 | \$ 79,101 | \$ 280 | \$ 3,471,887 |

(Continued)

| | Within 4 Months | At least 5 Months | More than 1 year | Total |
|--------------------------------------|----------------------------|------------------------------|-----------------------------|------------------------------------|
| Lease liabilities | \$ 2,726 | \$ 4,433 | \$ 4,320 | \$ 11,479 |
| Financial guarantee contracts | <u>135,000</u> | <u>-</u> | <u>-</u> | <u>135,000</u> |
| | <u>\$ 3,530,232</u> | <u>\$ 83,534</u> | <u>\$ 4,600</u> | <u>\$ 3,618,366</u> |
| <u>December 31, 2019</u> | | | | |
| Non-derivative financial liabilities | | | | |
| Non-interest bearing liabilities | \$ 3,431,556 | \$ 55,099 | \$ 350 | \$ 3,487,005 |
| Lease liabilities | 2,383 | 4,593 | 8,197 | 15,173 |
| Financial guarantee contracts | <u>135,000</u> | <u>-</u> | <u>-</u> | <u>135,000</u> |
| | <u>\$ 3,568,939</u> | <u>\$ 59,692</u> | <u>\$ 8,547</u> | <u>\$ 3,637,178</u> (Concluded) |

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.

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

| <u>Related Party Name</u> | <u>Related Party Category</u> |
|---|---|
| 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 |
| Fast Distributed Cloud Computing Co., Ltd. | Subsidiaries |
| Neweb Technologies Co., Ltd. (Neweb Technologies) | Subsidiaries |
| Efun International Co., Ltd. | Subsidiaries |
| CELAD Incorporated | Subsidiaries |
| Dyansty International Information Corporation | Subsidiaries |
| We Can Financial Technology Co., Ltd. | Subsidiaries (Associate before March 31, 2020) |
| 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 |
| ezPay Co., Ltd. | Subsidiaries of Neweb Technologies |

(Continued)

| <u>Related Party Name</u> | <u>Related Party Category</u> |
|---|---|
| Newebpay Corporation | Subsidiaries of Neweb Technologies |
| CService Technology Co., Ltd. | Subsidiaries of Neweb Technologies |
| Compete ! Games Interactive Entertainment Corporation | Subsidiaries of Game First International Corporation |
| Re: Ad Media (Taiwan) Corporation | Subsidiaries of Efun International Corporation |
| Taiwan Taomee Co., Ltd. (Taiwan Taomee) | 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 second-degree relative of the Corporation's chairman) |
| Ko, Hsiu-Yen | Related party in substance (Spouse of the Corporation's chairman) |
| Wang, Li-Chuan | Related party in substance (Second-degree relative of the Corporation's chairman) |
| Wang, Chun-Hsiung | Related party in substance (Second-degree relative of the Corporation's chairman) |
| | (Concluded) |

b. Operating Revenues

| <u>Line Item</u> | <u>Related Party Category</u> | <u>For the Year Ended December 31</u> | |
|-----------------------|-------------------------------|---------------------------------------|-------------------|
| | | <u>2020</u> | <u>2019</u> |
| Sale of goods | Related party in substance | <u>\$ 61,292</u> | <u>\$ 14,712</u> |
| Rendering of services | Subsidiaries | \$ 301,500 | \$ 181,437 |
| | Associates | 6,519 | 9,274 |
| | Related party in substance | 31 | - |
| | | <u>\$ 308,050</u> | <u>\$ 190,711</u> |
| Licensing revenue | Subsidiaries | <u>\$ 120</u> | <u>\$ 100</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.

c. Purchase (return) of goods

| | For the Year Ended December 31 | |
|----------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| <u>Related party type</u> | | |
| Subsidiaries | \$ 3,834 | \$ 8,571 |
| Associates | - | (267) |
| Related party in substance | <u>6,422</u> | <u>18,152</u> |
| | <u>\$ 10,256</u> | <u>\$ 26,456</u> |

The Corporation purchases goods from the aforementioned related parties based on franchise agreements, and its prices and payment terms are handled in accordance with the agreements. As the Corporation did not purchase similar types of game software with non-related parties, the purchase prices cannot be compared. The payment terms are not significantly different from that for general suppliers.

d. Receivables from related parties

| Line Item | Related Party Category | December 31 | |
|---------------------|-------------------------------|--------------------|------------------|
| | | 2020 | 2019 |
| Accounts receivable | Subsidiaries | | |
| | Game First | \$ 14,523 | \$ 10,783 |
| | Game Flier | 11,198 | 8,414 |
| | Chinese Gamer | 3,920 | 5,428 |
| | Others | <u>65</u> | <u>632</u> |
| | | 29,706 | 25,257 |
| | Associates | <u>993</u> | <u>466</u> |
| | | <u>\$ 30,699</u> | <u>\$ 25,723</u> |
| Other receivables | Subsidiaries | \$ 28,111 | \$ 38,465 |
| | Associates | - | 8 |
| | Related party in substance | 32,238 | 28,822 |
| | | <u> </u> | <u> </u> |
| | | <u>\$ 60,349</u> | <u>\$ 67,295</u> |

Other receivables are mainly the Corporation's sale of its exclusive MyCard through its related parties and prepayments made on behalf of its 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.

e. Payables to related parties

| Line Item | Related Party Category | December 31 | |
|------------------|-------------------------------|--------------------|-------------|
| | | 2020 | 2019 |
| Notes payable | Subsidiaries | | |
| | Game First | \$ - | \$ 42,371 |
| | Associates | - | 1,826 |
| | | | (Continued) |

| Line Item | Related Party Category | December 31 | |
|------------------|----------------------------|-------------------|-------------------|
| | | 2020 | 2019 |
| | Related party in substance | \$ 600 | \$ 689 |
| | | <u>\$ 600</u> | <u>\$ 44,886</u> |
| Accounts payable | Subsidiaries | | |
| | Game First | \$ 50,171 | \$ 50,000 |
| | Others | <u>7,799</u> | <u>9,440</u> |
| | | 57,970 | 59,440 |
| | Related party in substance | - | 795 |
| | | <u>\$ 57,970</u> | <u>\$ 60,235</u> |
| Other payables | Subsidiaries | | |
| | Game First | \$ 94,563 | \$ 59,317 |
| | Game Flier | 47,191 | 51,429 |
| | Chinese Gamer | 21,484 | 27,610 |
| | Others | <u>10,430</u> | <u>2,253</u> |
| | | 173,668 | 140,609 |
| | Associates | 6,263 | 2,678 |
| | Related party in substance | 44 | - |
| | | <u>\$ 179,975</u> | <u>\$ 143,287</u> |
| | | | (Concluded) |

Other payables 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 – December 31, 2019

Interest income

| Related Party Category/Name | For the Year Ended December 31, 2019 |
|-----------------------------|--------------------------------------|
| Subsidiaries | |
| Neweb Technologies | <u>\$ 212</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 | | | |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2020 | | 2019 | |
| | Amount Endorsed | Amount Utilized | Amount Endorsed | Amount Utilized |
| Subsidiaries | | | | |
| Neweb Technologies | <u>\$ 280,000</u> | <u>\$ 135,000</u> | <u>\$ 280,000</u> | <u>\$ 135,000</u> |

h. Others

The circulation fees, royalties, internet services and advertising fees, etc. which the Corporation paid to its related parties were recognized under manufacturing expenses and operating expenses based on their nature:

| Related Party Category | For the Year Ended December 31 | |
|----------------------------|--------------------------------|-------------------|
| | 2020 | 2019 |
| Subsidiaries | \$ 41,646 | \$ 22,440 |
| Related party in substance | <u>162,742</u> | <u>117,074</u> |
| | <u>\$ 204,388</u> | <u>\$ 139,514</u> |

i. Remuneration 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 | |
|------------------------------|--------------------------------|------------------|
| | 2020 | 2019 |
| Short-term employee benefits | \$ 24,433 | \$ 16,253 |
| Post-employment benefits | <u>69</u> | <u>108</u> |
| | <u>\$ 24,502</u> | <u>\$ 16,361</u> |

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

28. ASSETS PLEDGED AS COLLATERAL OR SECURITY

The following assets have been provided as collateral for the issuance of performance guarantees, point performance guarantees and endorsements:

| | December 31 | |
|----------------------------------|------------------|------------------|
| | 2020 | 2019 |
| Other financial assets - current | | |
| Pledged time deposits | <u>\$ 35,000</u> | <u>\$ 35,000</u> |

(Continued)

| | December 31 | |
|-------------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Property, plant and equipment | | |
| Land | \$ 109,463 | \$ 109,463 |
| Buildings | <u>82,258</u> | <u>84,620</u> |
| | <u>191,721</u> | <u>194,083</u> |
| | <u>\$ 226,721</u> | <u>\$ 229,083</u> |
| | | (Concluded) |

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Apart from Note 27, as disclosed in Note 28, the Corporation provided demand deposits, time deposits and property, plant and equipment as collateral for performance guarantees of unused MyCard points. As of both December 31, 2020 and 2019, the credit line committed by banks was \$800,000 thousand.

30. 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 the foreign currencies and the 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) |
|---|--|----------------------|-----------|---|
| <u>December 31, 2020</u> | | | | |
| Financial assets | | | | |
| Monetary items | | | | |
| USD | \$ 349 | 28.480 | (USD:NTD) | \$ 9,943 |
| HKD | 5,938 | 3.673 | (HKD:NTD) | 21,809 |
| Non-monetary items | | | | |
| Subsidiaries accounted for using the equity method | | | | |
| HKD | 148,317 | 3.673 | (HKD:NTD) | 544,769 |
| SGD | 381 | 21.560 | (SGD:NTD) | 8,215 |
| Financial assets at fair value through profit or loss | | | | |
| HKD | 28,056 | 3.673 | (HKD:NTD) | 103,050 |
| Financial assets at fair value through other comprehensive income | | | | |
| HKD | 354 | 3.673 | (HKD:NTD) | 1,300 |

(Continued)

| | Foreign Currency (In Thousands) | Exchange Rate | | Carrying Amount (In Thousands of New Taiwan Dollars) |
|---|---------------------------------------|---------------|-----------|--|
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | \$ 96 | 28.480 | (USD:NTD) | \$ 2,729 |
| December 31, 2019 | | | | |
| Financial assets | | | | |
| Monetary items | | | | |
| USD | 454 | 29.980 | (USD:NTD) | 13,620 |
| HKD | 8,892 | 3.849 | (HKD:NTD) | 34,224 |
| Non-monetary items | | | | |
| Subsidiaries accounted for using the equity method | | | | |
| HKD | 139,040 | 3.849 | (HKD:NTD) | 535,164 |
| SGD | 252 | 22.280 | (SGD:NTD) | 5,620 |
| Financial assets at fair value through other comprehensive income | | | | |
| HKD | 456 | 3.849 | (HKD:NTD) | 1,755 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | 100 | 29.980 | (USD:NTD) | 2,988 |

(Concluded)

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange gains were \$2,792 thousand and \$6,921 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.

31. 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: None
- 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: Table 4
 - 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
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEES

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 Limit | Note |
|-----|--------------------------------------|-----------------------------------|--|---------------|------------------------------|----------------|---------------------|-------------------|-----------------------------------|--------------------|----------------------|------------------------|------------|-------|--|---|------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | Efun International Corporation | Re: Ad Media (Taiwan) Corporation | Other receivables - related parties | Yes | \$ 20,000 | \$ - | \$ - | 2.63 | The need for short-term financing | \$ - | Operating capital | \$ - | None | - | \$ 49,547 | \$ 132,126 | Note |
| 2 | Game Flier International Corporation | Neweb Technologies Co., Ltd. | Other receivables - related parties - others | Yes | 100,000 | - | - | 2.48 | The need for short-term financing | - | Operating capital | - | None | - | 132,546 | 353,457 | Note |

Note: The financing limit for each borrowing company shall not exceed 15% of the net worth of the financing company. The total financing limit shall not exceed 40% of the net worth of the financing company.

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2020

(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. | Subsidiary | \$ 1,263,247 | \$ 460,000 | \$ 280,000 | \$ 135,000 | \$ 35,000 | 4.00 | \$ 3,158,118 | Y | N | N | Note |

Note: 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.

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(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, 2020 | | | | 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 | 510,189 | \$ 51,784 | 1 | \$ 51,784 | |
| | Softstar Entertainment Inc. | - | Financial assets at fair value through other comprehensive income - noncurrent | 2,560,285 | 146,192 | 4 | 146,192 | |
| | China Communications Media Group Co.,Ltd | - | Financial assets at fair value through other comprehensive income - noncurrent | 270,351 | 1,446 | 1 | 1,446 | |
| | Fun Yours Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income - noncurrent | 2,045,366 | 50,930 | 12 | 50,930 | |
| | Kuobrothers Corporation | - | Financial assets at fair value through other comprehensive income - noncurrent | 531,289 | 20,189 | 2 | 20,189 | |
| | Gameone Holdings Limited. | - | Financial assets at fair value through other comprehensive income - noncurrent | 1,200,000 | 1,300 | 1 | 1,300 | |
| | Mobix Corporation | - | Financial assets at fair value through other comprehensive income - noncurrent | 103,207 | 3,209 | 1 | 3,209 | |
| Archosaur Games Inc. | - | Financial assets at fair value through profit or loss - noncurrent | 1,336,000 | 103,050 | - | 103,050 | | |
| | | | | | | | | |
| | | | | | <u>\$ 378,100</u> | | <u>\$ 378,100</u> | |
| Game Flier International Corporation | Stock | | | | | | | |
| | Softstar Entertainment Inc. | - | Financial assets at fair value through other comprehensive income - noncurrent | 1,472,164 | <u>\$ 84,348</u> | 3 | <u>\$ 84,348</u> | |
| Jhieh Long Venture Capital Corporation | Stock | | | | | | | |
| | 9Splay Entertainment Technology Co., LTD | - | Financial assets at fair value through other comprehensive income - noncurrent | 956,919 | \$ 24,947 | 3 | \$ 24,947 | |
| | Soft-World International Corporation | The ultimate parent company | Financial assets at fair value through other comprehensive income - noncurrent | 8,913,000 | 746,408 | 7 | 746,408 | Note |
| | | | | | | | | |
| | | | | | <u>\$ 771,355</u> | | <u>\$ 771,355</u> | |

(Continued)

| Held Company Name | Type and Name of Marketable Securities | Relationship with The Company | Financial Statement Account | December 31, 2020 | | | | 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 | \$ 2,313 | - | \$ 2,313 | |
| | Taiwan Smart Card Co. | - | Financial assets at fair value through other comprehensive income - noncurrent | 3,140,671 | 16,116 | 20 | 16,116 | |
| | | | | | <u>\$ 18,429</u> | | <u>\$ 18,429</u> | |

(Concluded)

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

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|-----------------|--------------------------------------|--------------|-----------------------|------------|------------|--|----------------------|---------------|-------------------------------------|------------|------|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total | |
| | | | | | | | | | | | |
| The Corporation | Game Flier International Corporation | Subsidiary | Rendering of services | \$ 132,310 | 5 | Net 2 months from the end of the month of when invoice is issued | \$ - | - | \$ 11,198 | 13 | |
| | Game First International Corporation | Subsidiary | Rendering of services | 132,877 | 5 | Net 2 months from the end of the month of when invoice is issued | - | - | 14,523 | 17 | |

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEES

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

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

| 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 | Parent company | \$ 144,734 | - | \$ - | - | \$ 55,117 | \$ - |

TABLE 6

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020**

(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, 2020 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|------------------|--|-------------------|--|----------------------------|-------------------|-------------------------|--------|-----------------|-----------------------------------|------------------------|---------------------|
| | | | | December 31, 2020 | December 31, 2019 | 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 | \$ 371,319 | 41,880,205 | 49.00 | \$ 522,559 | \$ 1,053 | \$ (5,447) | 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. | 8,959 | 8,959 | 390,000 | 100.00 | 8,215 | 2,750 | 2,750 | Subsidiary |
| The Corporation | Game Flier International Corporation | Republic of China | Electronic data information providing service, etc. | 218,017 | 217,945 | 28,332,800 | 98.00 | 870,565 | 167,233 | 164,757 | Subsidiary |
| The Corporation | Global Concept Corporation | Samoa | Investment company | 295,068 | 295,068 | 9,631,253 | 100.00 | 276,231 | 26,318 | 26,318 | Subsidiary |
| The Corporation | Game First International Corporation | Republic of China | Online game service | 27,813 | 27,813 | 16,684,063 | 70.00 | 237,608 | (3,303) | (2,312) | 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 | 69,999 | (1,206) | (1,194) | Subsidiary |
| The Corporation | Zealot Digital Pte. Ltd. | Singapore | Development and sale of game software, etc. | - | 261,882 | - | - | - | (175) | (175) | Subsidiary (Note 3) |
| The Corporation | Soft-World International (Hong Kong) Corporation | Hong Kong | Trading of game software | 88,858 | 88,858 | 3,883,558 | 100.00 | 544,769 | 33,896 | 33,896 | 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 | 17,022 | 2,196 | 1,088 | Subsidiary |
| The Corporation | Jhih Long Venture Capital Corporation | Republic of China | Investment company | 100,000 | 100,000 | 10,182,500 | 13.00 | 7,895 | 35,258 | 20 | Subsidiary |
| The Corporation | Sofaman Corporation | Republic of China | Development and sale of game software | 9,366 | 9,366 | 936,600 | 60.00 | 462 | (33) | (20) | Subsidiary |
| The Corporation | Interactive Entertainment Technology Co., Ltd. | Samoa | Investment company | 15,485 | 15,485 | 480,000 | 80.00 | 17,344 | 2,105 | 1,684 | Subsidiary |
| The Corporation | Fast Distributed Cloud Computing Co., Ltd. | Republic of China | Retail sale, wholesale and service for information software, etc. | 13,812 | 17,583 | 2,135,628 | 90.00 | 38,988 | 10,373 | 10,030 | Subsidiary |
| The Corporation | Neweb Technologies Co., Ltd. | Republic of China | Wholesale and retail sale of information software and electronic information providing service | 510,567 | 510,567 | 38,104,043 | 50.00 | 451,849 | 24,715 | 12,466 | Subsidiary |
| The Corporation | Efun International Corporation | Republic of China | Information software, data processing service and general advertising service, etc. | 91,364 | 91,364 | 16,016,347 | 80.00 | 264,351 | 102,313 | 81,888 | Subsidiary |
| The Corporation | Long Xiang Investment Corporation | Republic of China | Investment company | 250,000 | 250,000 | 25,000,000 | 44.00 | 20,478 | 25,357 | (259) | 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. | 17,500 | 17,500 | 1,750,000 | 32.00 | 345 | 3,552 | 1,130 | Subsidiary |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2020 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|--|--------------------------|---|----------------------------|-------------------|-------------------------|--------|-----------------|-----------------------------------|------------------------|------------|
| | | | | December 31, 2020 | December 31, 2019 | Number of shares | (%) | Carrying Amount | | | |
| | | | | | | | | | | | |
| The Corporation | We Can Financial Technology Co., Ltd. | Republic of China | Development of financial system and equipment, etc. | \$ 27,824 | \$ 26,234 | 5,106,000 | 51.00 | \$ 3,561 | \$ (1,263) | \$ (522) | 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 | 11,594 | (1,425) | (673) | Note 1 |
| Chinese Gamer International Corporation | Taichigamer (B.V.I.) Co., Ltd. | British Virgin Islands | Investment company | 96,942 | 96,942 | 3,041,698 | 100.00 | 222,287 | 30,266 | 30,266 | 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 | 19,492 | 3,108 | 3,108 | 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. | 27,620 | 27,500 | 3,750,000 | 68.00 | 739 | 3,552 | 1,832 | 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. | 5,771 | 5,000 | 880,000 | 88.00 | 1,752 | (61) | (36) | Subsidiary |
| Chinese Gamer International Corporation | Jhieh Long Venture Capital Corporation | Republic of China | Investment company | 100,000 | 100,000 | 10,182,500 | 13.00 | 131,188 | 35,258 | 4,601 | Subsidiary |
| Chinese Gamer International Corporation | Star Diamond Universal Corporation | British Virgin Islands | Business related investee | 82,772 | 82,772 | 52,000 | 100.00 | 73,627 | (9,002) | (9,002) | 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. | 16,552 | 8,000 | 1,600,000 | 100.00 | 18,011 | 6,802 | 3,653 | 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. | 30,994 | 20,000 | 3,784,063 | 65.00 | 43,138 | 7,952 | 4,601 | Subsidiary |
| 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. | 19,369 | 8,000 | 1,520,000 | 100.00 | 23,429 | 7,521 | 3,779 | Subsidiary |
| Chinese Gamer International Corporation | Long Xiang Investment Corporation | Republic of China | Investment company | 168,000 | 168,000 | 16,800,000 | 30.00 | 220,304 | 25,357 | 7,501 | 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 | 216,084 | 30,416 | 30,416 | 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 | 191,947 | 31,162 | 31,162 | Subsidiary |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2020 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|--|---|-------------------|--|----------------------------|-------------------|-------------------------|--------|-----------------|-----------------------------------|------------------------|---------------------|
| | | | | December 31, 2020 | December 31, 2019 | Number of shares | (%) | Carrying Amount | | | |
| | | | | | | | | | | | |
| Star Diamond Universal Corporation | Dragon Gamer (Hong Kong) Co., Ltd. | Hong Kong | Online game service | \$ 82,772 | \$ 82,772 | 260,000 | 100.00 | \$ 73,627 | \$ (9,002) | \$ (9,002) | Subsidiary |
| Game Topia. Co. Ltd. | Game Topia (Hong Kong) Technology Corporation | Hong Kong | Information software service | 987 | 987 | 3,300 | 100.00 | 32,150 | 13,234 | 13,234 | Subsidiary |
| Game Flier International Corporation | Soft-Orient Corporation | Samoa | Business related investee | 254,872 | 254,872 | 7,784,134 | 100.00 | 15,791 | 47 | 47 | Subsidiary |
| Game Flier International Corporation | Game Flier (Malaysia) Sdn. Bhd. | Malaysia | Development, manufacture and sale of game software | - | 100,595 | - | - | - | (42) | (42) | Subsidiary (Note 3) |
| Game Flier International Corporation | Mobile Flier International Corporation | Republic of China | Agents and operation of smartphone games | - | 28,000 | - | - | - | (251) | (251) | Subsidiary (Note 3) |
| Global Concept Corporation | Value Central Corporation | Samoa | Investment company | 45,452 | 45,452 | 1,450,000 | 100.00 | 18,568 | (334) | (334) | Subsidiary |
| Global Concept Corporation | Gamers Grande Corporation | Malaysia | Business related investee | 179,788 | 179,788 | 6,453,621 | 100.00 | 190,627 | 19,439 | 19,439 | Subsidiary |
| Global Concept Corporation | Playgame Sdn. Bhd. | Malaysia | Investment company | 56,074 | 56,074 | 30,250 | 30.00 | 25,400 | (4,764) | (2,105) | 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 | 15,078 | (129) | (129) | Subsidiary |
| 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 | 8,393 | (26) | (26) | Subsidiary |
| Jhieh Long Venture Capital Corporation | SkyTouch Co., Ltd. | Republic of China | Manufacture of computers and accessories | 20,002 | 20,002 | 673,915 | 31.00 | 1,647 | (92) | (29) | Note 1 |
| 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 | 20,537 | 2,195 | 2,195 | Subsidiary |
| Neweb Technologies Co., Ltd. | Newebpay Corporation | Republic of China | Electronic data providing services | 28,369 | 28,369 | 1,484,733 | 100.00 | 239,281 | 8,378 | 8,378 | Subsidiary |
| Neweb Technologies Co., Ltd. | ezPay Co., Ltd. | Republic of China | Third party payment service | 966,748 | 966,748 | 61,400,000 | 100.00 | 502,319 | (78,616) | (78,616) | Subsidiary |
| Neweb Technologies Co., Ltd. | CSservice Technology Co., Ltd. | Republic of China | Information software | 5,000 | 5,000 | 500,000 | 100.00 | 4,823 | 21 | 21 | Subsidiary |
| Efun International Corporation | Re: Ad Media (Taiwan) Corporation | Republic of China | General advertising service | 26,000 | 26,000 | 3,125,000 | 100.00 | 58,417 | 28,414 | 28,414 | Subsidiary |
| Long Xiang Investment Corporation | Jhieh Long Venture Capital Corporation | Republic of China | Investment company | 566,000 | 566,000 | 57,632,950 | 74.00 | 596,301 | 35,258 | 26,055 | Subsidiary |

(Concluded)

Note 1: Investment accounted for using the equity method.

Note 2: For investees in mainland China, refer to Table 7.

Note 3: The company had completed liquidation for the year ended December 31, 2020.

TABLE 7

SOFT-WORLD INTERNATIONAL CORPORATION AND INVESTEEES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 | Net Income of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain | Carrying Amount as of December 31, 2020 | Accumulated Repatriation of Investment Income as of December 31, 2020 | Note |
|---|---|-----------------------------|----------------------------------|---|---------------------|--------|---|-------------------------------|--|--------------------|---|---|---------------|
| | | | | | Outward | Inward | | | | | | | |
| Lingo Soft (Beijing) Technology Co., Ltd. | Data processing services | \$ 13,386 | 2 | \$ 7,743 | \$ - | \$ - | \$ 7,743 | \$ - | 33.00 | \$ - | \$ - | \$ - | |
| Soft-World International (Guangzhou) Corporation | Design, development, production, and sale of computer hardware and software | 46,833 | 1 | 88,858 | - | - | 88,858 | 619 | - | 619 | - | - | Notes 3 and 9 |
| 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 | 19,652 | 100.00 | 19,652 | 190,222 | - | 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 | 4,272 | 2 | 3,722 | - | - | 3,722 | - | 1.00 | - | 1,446 | - | |
| 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 | 54,713 | 2 | 45,500 | - | - | 45,500 | - | 2.00 | - | - | - | |
| 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. | 2,847 | 2 | 75 | - | - | 75 | - | - | - | - | - | Note 6 |

| Investee Company | Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020 | 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 | \$ 3,789,741 |
| Game Flier International Corporation (Note 8) | 102,636 | 102,636 | 530,185 |

(Continued)

Note 1: Calculated by the spot exchange rates of USD and CNY at the end of the period, which was 28.48 and 4.377, 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 the Investment Commission, MOEA in September 2008.

2) Investments through a holding company were 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 RMB 9,000 thousand, to Gamers Grande Corporation in August 2010. As of December 31, 2020, 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, 2020.

Note 7: The amount of accumulated outward remittance for investments from Taiwan as of December 31, 2020 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, 2020 and investment amount authorized by the Investment Commission, MOEA are both USD2,554,848.

Note 9: The Corporation indirectly holds investments in mainland China, Soft-World International (Guangzhou) Corporation, through Soft-World International (Hong Kong) Corporation. The Corporation had disposed all of its equity of Soft-World International (Guangzhou) Corporation in December 2020. The related amount had not been remitted to Taiwan as of December 31, 2020.

(Concluded)

SOFT-WORLD INTERNATIONAL CORPORATION

**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

| Name of The Shareholder | Shares | |
|--|------------------------|-----------------------------|
| | Number of Shares Owned | Percentage of Ownership (%) |
| Wang, Chun-Po | 21,594,350 | 16.94 |
| Xingtian Technologies Corporation Investment Account in Custody of KGI Commercial Bank Co., Ltd. | 12,013,000 | 9.42 |
| Jhih Long Venture Capital Corporation | 8,913,000 | 6.99 |
| Taiwan Branch, Belize Yiqiao Development Co., Ltd. | 6,880,000 | 5.39 |

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Corporation's common and preferred stocks (only ones that have completed dematerialized registration and delivery) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the consolidated financial statements may differ from the Corporation's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Corporation's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.

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STATEMENT 1

SOFT-WORLD INTERNATIONAL CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2020

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

| Item | Summary | Amount |
|---------------------------|---|---------------------------|
| Cash | | \$ 930 |
| Bank Deposits | | |
| Demand deposits | | 916,422 |
| Checking deposits | | 150 |
| Foreign currency deposits | HKD53,684 USD1,664 EUR7,975 | 524 |
| Cash Equivalents | | |
| Time deposits | the annual interest rate is from 0.35% to 0.41%; the expiration periods is from January 1, 2021 to March 31, 2021 | 899,490 |
| | | <hr/> <u>\$ 1,817,516</u> |

Note: HKD converted to NTD at HKD\$1=NT\$3.673

USD converted to NTD at USD\$1=NT\$28.48

EUR converted to NTD at EUR\$1=NT\$35.02

STATEMENT 2

SOFT-WORLD INTERNATIONAL CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

| Item | Amount |
|---|------------------|
| Related parties | |
| Game First | \$ 14,523 |
| Game Flier | 11,198 |
| Chinese Gamer | 3,920 |
| Others (Note 1) | <u>1,058</u> |
| | <u>30,699</u> |
| Unrelated parties | |
| Company A | 12,174 |
| Company B | 5,902 |
| Company C | 4,886 |
| Company D | 3,435 |
| Company E | 3,065 |
| Company F | 2,590 |
| Others (Note 1) | <u>18,676</u> |
| | 50,728 |
| Less: Allowance of accounts receivable (Note 2) | <u>59</u> |
| | <u>50,669</u> |
| | <u>\$ 81,368</u> |

Note 1: The amount of individual customer included in others does not exceed 5% of the account balance.

Note 2: The amount of accounts receivable past due 1 year is \$53 thousand.

STATEMENT 3

SOFT-WORLD INTERNATIONAL CORPORATION

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

| Name | Amount |
|--------------------------------------|---------------------|
| Related parties | |
| Asure | \$ 32,238 |
| Soft-World (Hong Kong) | 21,508 |
| Game Flier | 3,105 |
| Others (Note) | <u>3,498</u> |
| | <u>60,349</u> |
| Unrelated parties | |
| Company A | 513,999 |
| Company B | 222,111 |
| Company C | 181,805 |
| Company D | 157,039 |
| Company E | 86,575 |
| Company F | 74,202 |
| Others (Note) | <u>290,943</u> |
| | 1,526,674 |
| Less: Allowance of other receivables | <u>66,627</u> |
| | <u>1,460,047</u> |
| | <u>\$ 1,520,396</u> |

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

STATEMENT 4

SOFT-WORLD INTERNATIONAL CORPORATION

**STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

| Item | Amount | |
|----------------|------------------|-----------------------------|
| | Carrying Amount | Net Realizable Value (Note) |
| Merchandise | \$ 41,465 | \$ 43,766 |
| Finished goods | <u>154</u> | <u>154</u> |
| | <u>\$ 41,619</u> | <u>\$ 43,920</u> |

Note: For the determination of base of net realizable value, refer to Note 4.

STATEMENT 5

SOFT-WORLD INTERNATIONAL CORPORATION

**STATEMENT OF OTHER CURRENT ASSETS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|----------------------------|------------------|
| Prepayments for projects | \$ 23,744 |
| Prepayments for commission | 52,862 |
| Prepayments for rent | 6,715 |
| Others (Note) | <u>8,446</u> |
| | <u>\$ 91,767</u> |

Note: The amount of each item included in others does not exceed 5% of the account balance.

SOFT-WORLD INTERNATIONAL CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NONCURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Name | Balance, January 1, 2020 | | Increases in the current year (Note) | | Decreases/Reclassifications in the current year | | Balance, December 31, 2020 | | Collateral |
|----------------------|--------------------------|------------|--------------------------------------|------------|--|------------|----------------------------|------------|------------|
| | Shares | Fair Value | Shares | Fair Value | Shares | Fair Value | Shares | Fair Value | |
| Archosaur Games Inc. | - | \$ - | 1,336,000 | \$ 103,050 | - | \$ - | 1,336,000 | \$ 103,050 | None |

Note: The increases of \$58,860 thousand and \$44,190 thousand, for the current year resulted from additions of investments and adjustment to unrealized gain from financial assets.

SOFT-WORLD INTERNATIONAL CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investees | Balance, January 1, 2020 | | Increases in the current year (Note 1) | | Decreases in the current year (Note2) | | Balance, December 31, 2020 | | Collateral |
|---|--------------------------|-------------------|--|-----------------|---------------------------------------|------------------|----------------------------|-------------------|------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | |
| Userjoy Technology Co., Ltd. | 464,206 | \$ 47,581 | 45,983 | \$ 4,203 | - | \$ - | 510,189 | \$ 51,784 | None |
| Softstar Entertainment Inc. | 2,000,000 | 163,000 | 560,285 | - | - | 16,808 | 2,560,285 | 146,192 | None |
| China Communications Media Group Co., Ltd | 270,351 | 987 | - | 459 | - | - | 270,351 | 1,446 | None |
| Fun Yours Technology Co., Ltd. | 2,045,366 | 60,031 | - | - | - | 9,101 | 2,045,366 | 50,930 | None |
| Kuobrothers Corporation | 531,289 | 20,641 | - | - | - | 452 | 531,289 | 20,189 | None |
| Gameone Holdings Limited. | 1,200,000 | 1,755 | - | - | - | 455 | 1,200,000 | 1,300 | None |
| Mobix Corporation | 103,207 | <u>1,418</u> | - | <u>1,791</u> | - | <u>-</u> | 103,207 | <u>3,209</u> | None |
| | | <u>\$ 295,413</u> | | <u>\$ 6,453</u> | | <u>\$ 26,816</u> | | <u>\$ 275,050</u> | |

Note 1: The increases of \$6,453 thousand for adjustments to unrealized gain from financial assets.

Note 2: The decrease of \$26,816 thousand for adjustments to unrealized loss from financial assets.

SOFT-WORLD INTERNATIONAL CORPORATION

STATEMENT OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020

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

| Investees | Balance, January 1, 2020 | | Increases in the current year (Note 1) | | Decreases in the current year (Note 1) | | Balance, December 31, 2020 | | | Fair Value or Net Assets Value (Note 2) | | Collateral |
|---|--------------------------|---------------------|--|-------------------|--|-------------------|----------------------------|----------------|---------------------|---|--------------|------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | % of Ownership | Amount | Unit Price (NT\$) | Total Amount | |
| Listed company | | | | | | | | | | | | |
| Chinese Gamer International Corporation | 41,880,205 | \$ 524,750 | - | \$ 11,326 | - | \$ 13,517 | 41,880,205 | 49 | \$ 522,559 | \$ 62.5 | \$ 2,617,513 | None |
| Unlisted companies | | | | | | | | | | | | |
| Soft-World Technology Pte. Ltd. | 390,000 | 5,620 | - | 2,750 | - | 155 | 390,000 | 100 | 8,215 | 21.06 | 8,215 | None |
| Game Flier International Corporation | 28,330,027 | 750,778 | 2,773 | 165,254 | - | 45,467 | 28,332,800 | 98 | 870,565 | 30.73 | 870,565 | None |
| Global Concept Corporation | 9,631,253 | 247,384 | - | 28,847 | - | - | 9,631,253 | 100 | 276,231 | 28.68 | 276,231 | None |
| Game First International Corporation | 16,684,063 | 239,920 | - | - | - | 2,312 | 16,684,063 | 70 | 237,608 | 14.24 | 237,608 | None |
| Zealot Digital International Corporation | 8,904,162 | 71,193 | - | - | - | 1,194 | 8,904,162 | 99 | 69,999 | 7.86 | 69,999 | None |
| Zealot Digital Pte. Ltd. | 26,460,042 | 548 | - | 383 | 26,460,042 | 931 | - | - | - | - | - | None |
| Soft-World International (Hong Kong) Corporation | 3,883,558 | 535,164 | - | 33,896 | - | 24,291 | 3,883,558 | 100 | 544,769 | 136.9 | 531,676 | None |
| Dynasty International Information Corporation | 1,460,610 | 18,125 | - | 1,088 | - | 2,191 | 1,460,610 | 86 | 17,022 | 11.86 | 17,022 | None |
| Jhih Long Venture Capital Corporation | 10,000,000 | 8,521 | 182,500 | 4,601 | - | 5,227 | 10,182,500 | 13 | 7,895 | 0.78 | 7,895 | None |
| Sofaman Corporation | 936,000 | 482 | - | - | - | 20 | 936,000 | 60 | 462 | 0.49 | 462 | None |
| Interactive Entertainment Technology Co., Ltd. | 480,000 | 15,660 | - | 1,684 | - | - | 480,000 | 80 | 17,344 | 36.13 | 17,344 | None |
| Fast Distributed Cloud Computing Co., Ltd. | 2,372,919 | 40,857 | - | 10,030 | 237,291 | 11,899 | 2,135,628 | 90 | 38,988 | 18.26 | 38,988 | None |
| Neweb Technologies Co., Ltd. | 56,232,998 | 440,219 | 1 | 12,570 | 18,128,956 | 940 | 38,104,043 | 50 | 451,849 | 11.86 | 451,849 | None |
| Efun International Corporation | 12,855,243 | 182,463 | 3,161,104 | 81,888 | - | - | 16,016,347 | 80 | 264,351 | 16.51 | 264,351 | None |
| Long Xiang Investment Corporation | 25,000,000 | 21,906 | - | 11,419 | - | 12,847 | 25,000,000 | 44 | 20,478 | 0.82 | 20,478 | None |
| CELAD Incorporated | 1,750,000 | (785) | - | 1,130 | - | - | 1,750,000 | 32 | 345 | 0.2 | 345 | None |
| We Can Financial Technology Co., Ltd. | 3,781,000 | 6,030 | 1,425,000 | 1,757 | 100,000 | 4,226 | 5,106,000 | 51 | 3,561 | 0.7 | 3,561 | None |
| Joy Children Technology Co., Ltd. | 2,051,153 | 12,267 | - | - | - | 673 | 2,051,153 | 32 | 11,594 | 5.65 | 11,594 | None |
| | | 3,121,102 | | 368,623 | | 125,890 | | | 3,363,835 | | \$ 5,445,696 | |
| Credit balance of long-term investments reclassified to other liabilities | | 785 | | - | | 785 | | | - | | | |
| | | <u>\$ 3,121,887</u> | | <u>\$ 368,623</u> | | <u>\$ 126,675</u> | | | <u>\$ 3,363,835</u> | | | |

Note 1: Includes the decrease in investment costs of \$2,864 thousand, cash dividends received from investee companies of \$45,551 thousand, share of profit of subsidiaries and associates accounted for using the equity method of \$325,425 thousand, increase in net equity accounted for using the equity method of \$5,363 thousand, decrease in exchange differences on translating foreign operations of \$23,315 thousand, adjustments to capital surplus arising from dividends paid to subsidiaries of \$21,960 thousand, difference between consideration and carrying amount of subsidiaries acquired or disposed of in the amount of \$171 thousand, decrease in share of other comprehensive income (loss) of subsidiaries accounted for using the equity method of \$101 thousand, decrease in unrealized loss from financial assets of \$16,831 thousand, decrease in the effect of the Corporation's shares held by its subsidiaries deemed as treasury shares of \$17,598 thousand, impairment loss on goodwill from We Can of \$3,584 thousand, and the decrease in the credit balance of long-term investments reclassified to other liabilities of \$785 thousand.

Note 2: Fair value was the closing price of stocks at the end of 2020. Net asset value was calculated based on the investees' financial statements and the Corporation's ownership percentage.

STATEMENT 9

SOFT-WORLD INTERNATIONAL CORPORATION

**STATEMENT OF NOTES PAYABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

| Name of Suppliers | Amount |
|-------------------|-----------------|
| Related parties | |
| Asure | \$ 508 |
| Others (Note) | <u>92</u> |
| | <u>600</u> |
| Unrelated parties | |
| Individual A | 2,103 |
| Individual B | 634 |
| Company C | 479 |
| Company D | 347 |
| Individual E | 317 |
| Company F | 304 |
| Others (Note) | <u>1,170</u> |
| | <u>5,354</u> |
| | <u>\$ 5,954</u> |

Note: The amount of individual/company included in others does not exceed 5% of the account balance.

SOFT-WORLD INTERNATIONAL CORPORATION

**STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

| Name of Suppliers | Amount |
|-------------------|------------------|
| Related parties | |
| Game First | \$ 50,171 |
| Game Flier | 7,773 |
| Others (Note) | <u>26</u> |
| | <u>57,970</u> |
| Unrelated parties | |
| Company A | 34,075 |
| Company B | 4,879 |
| Company C | 3,859 |
| Others (Note) | <u>15,369</u> |
| | <u>58,182</u> |
| | <u>\$116,152</u> |

Note: The amount of individual/company included in others does not exceed 5% of the account balance.

SOFT-WORLD INTERNATIONAL CORPORATION

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

| Name of Suppliers | Amount |
|----------------------------|---------------------|
| Related parties | |
| Game First | \$ 94,563 |
| Game Flier | 47,191 |
| Chinese Gamer | 21,484 |
| Others (Note 1) | <u>16,737</u> |
| | <u>179,975</u> |
| Unrelated parties (Note 2) | |
| Company A | 178,389 |
| Company B | 166,443 |
| Company C | 121,713 |
| Others (Note 1) | <u>1,964,167</u> |
| | <u>2,430,712</u> |
| | <u>\$ 2,610,687</u> |

Note 1: The amount of individual/company included in others does not exceed 5% of the account balance.

Note 2: Refer to Note 17.

SOFT-WORLD INTERNATIONAL CORPORATION

**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

| Item | Quantity (Pieces) | Amount |
|--|--------------------------|---------------------|
| Rendering of services | | |
| Revenue from MyCard services | | \$ 2,079,400 |
| Revenue from advertising | | 303,606 |
| Others (Note) | | <u>13,760</u> |
| | | 2,396,766 |
| | | |
| Sale of goods - recharge cards and product packages | 1,289,890 | 310,534 |
| | | |
| Licensing revenue | | <u>36,859</u> |
| | | |
| Subtotal | | 2,744,159 |
| | | |
| Less: Sales return | 217,656 | <u>24,897</u> |
| | | |
| Total | | <u>\$ 2,719,262</u> |

Note: The amount of each item included in others does not exceed 10% of the account balance.

SOFT-WORLD INTERNATIONAL CORPORATION

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

| Item | Amount |
|---|-------------------|
| Cost of goods produced | |
| Raw materials used | |
| Add: Raw material purchased | \$ 109 |
| Less: Sale of raw materials | 1,925 |
| Raw material, end of year | <u>(11)</u> |
| | <u>2,023</u> |
| Direct labor | <u>8,385</u> |
| Manufacturing expenses | <u>4,552</u> |
| Manufacturing cost | <u>14,960</u> |
| Add: Finished goods, beginning of year | 157 |
| Gain on reversal of inventory write-downs | 2,169 |
| Less: Finished goods, end of year | (154) |
| Disposal | (1,067) |
| Others | <u>(14,975)</u> |
| | <u>1,090</u> |
| Cost of goods purchased | |
| Merchandise, beginning of year | 22,303 |
| Add: Merchandise purchased | 270,851 |
| Gain on reversal of inventory write-downs | 231 |
| Less: Merchandise, end of year | (41,465) |
| Loss on physical inventory | (77) |
| Others | <u>(601)</u> |
| | <u>251,242</u> |
| Other operating costs | <u>180,996</u> |
| Cost of sale of raw materials | <u>11</u> |
| Loss on physical inventory | <u>77</u> |
| Loss on disposal of inventory | <u>1,067</u> |
| Gain on reversal of inventory write-downs | <u>(2,400)</u> |
| | <u>\$ 432,083</u> |

STATEMENT 14**SOFT-WORLD INTERNATIONAL CORPORATION****STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

| Item | Selling Expenses | General and Administrative Expenses | Research and Development Expenses | Total |
|--|-----------------------------|--|--|---------------------|
| Circulation | \$ 737,344 | \$ - | \$ - | \$ 737,344 |
| Salaries | 249,914 | 122,672 | 13,179 | 385,765 |
| Service for processing of information | 151,939 | - | 3 | 151,942 |
| Advertising | 55,016 | 52 | - | 55,068 |
| Insurance | 19,274 | 8,091 | 1,113 | 28,478 |
| Pension | 9,847 | 4,501 | 540 | 14,888 |
| Amortization | 11,539 | 1,249 | 28 | 12,816 |
| Others | <u>106,951</u> | <u>51,644</u> | <u>12,808</u> | <u>171,403</u> |
| | <u>\$ 1,341,824</u> | <u>\$ 188,209</u> | <u>\$ 27,671</u> | 1,557,704 |
| Expected credit loss | | | | <u>17,544</u> |
| | | | | <u>\$ 1,575,248</u> |

SOFT-WORLD INTERNATIONAL CORPORATION

**SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

| | For the Year Ended December 31 | | | | | |
|-------------------------------|--------------------------------|-----------------------|-------------------|--------------------|-----------------------|-------------------|
| | 2020 | | | 2019 | | |
| | Operating Costs | Operating Expenses | Total | Operating Costs | Operating Expenses | Total |
| Employee benefits | | | | | | |
| Salaries | \$ 9,119 | \$ 376,058 | \$ 385,177 | \$ 23,888 | \$ 327,846 | \$ 351,734 |
| Labor and health insurance | 728 | 28,479 | 29,207 | 2,255 | 26,456 | 28,711 |
| Pension | 343 | 14,888 | 15,231 | 1,206 | 13,945 | 15,151 |
| Remuneration of directors | - | 9,707 | 9,707 | - | 6,548 | 6,548 |
| Others | 90 | 3,244 | 3,334 | 264 | 2,623 | 2,887 |
| | <u>\$ 10,280</u> | <u>\$ 432,376</u> | <u>\$ 442,656</u> | <u>\$ 27,613</u> | <u>\$ 377,418</u> | <u>\$ 405,031</u> |
| Depreciation | \$ 384 | \$ 13,551 | \$ 13,935 | \$ 330 | \$ 9,842 | \$ 10,172 |
| Amortization | 14 | 12,816 | 12,830 | - | 14,117 | 14,117 |

Note 1: The Corporation's average number of employees was 418 and 424 for the years ended December 31, 2020 and 2019, respectively, which included 6 non-employee directors for both years.

Note 2: 1) Average employee benefits for the years ended December 31, 2020 and 2019 (Total amount of employee benefits for the year ended December 31 less total amount of remuneration of directors for the year ended December 31/number of employees for the year ended December 31 less number of directors not serving concurrently as employees for the year ended December 31) were \$1,051 thousand and \$953 thousand, respectively.

2) Average employee salary expenses for the years ended December 31, 2020 and 2019 (Total amount of salary expenses for the year ended December 31/number of employees for the year ended December 31 less number of directors not serving concurrently as employees for the year ended December 31) were \$935 thousand and \$841 thousand, respectively.

3) Adjustment for average employee salary expenses (Average employee salary expenses for the current year less average employee salary expenses for the previous year/Average employee salary expenses for the previous year) was 11.2%.

4) The remuneration of supervisors for the years ended December 31, 2020 and 2019 was \$3,015 thousand and \$1,792 thousand, respectively.

(Continued)

5) The Corporation's compensation policies are as follows:

a) Remuneration of directors and supervisors

In accordance with the Corporation's articles of incorporation: the Corporation shall allocate a specific percentage of profit as remuneration of directors and supervisors for each profitable fiscal year. In addition, traveling expenses shall be paid based on the Corporation's financial performance, and the compensation policies, system, standard and structure will be assessed by conducting a performance evaluation of directors and supervisors on a regular basis.

b) Compensation of managers and employees

A reasonable level of compensation is set for managers and employees with reference to the market level of salary for listed companies as well as other companies in the same industry, taking into consideration the relationship between the Corporation's operating performance and individual performance, and relevant policies are formulated for the distribution of bonuses. In addition, the compensation policies, system, standard and structure will be assessed by conducting a performance evaluation of managers on a regular basis.

(Concluded)