



ADDcn Technology Co., Ltd

2020 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

0 和 1 兩個簡單的數字誕生了一個資訊化的世界

它看似簡單，卻無所不在，無所不能，這就是數字的力量！



ADDcn Annual Report is available at: <http://mops.twse.com.tw>

ADDcn website: <https://www.addcn.com.tw>

Printed on May 11, 2020

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Name: Wu, Tsung-Hsien

Title: CEO

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Deputy Spokesperson

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Title: IR

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II. Headquarters, Branches and Plant

Address: 10F., No.12, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City, Taiwan (R.O.C.)

Tel.: 886-2-2999-5691

III. Stock Transfer Agent

Capital Securities Corporation

Address: B2, No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10

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Website: <http://www.capital.com.tw>

IV. Auditors

KPMG

Auditors: Chen, Cheng-Chien, Huang, Yung-Hua

Address: 68F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei

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V. Overseas Securities Exchange

N/A

VI. Corporate Website

<https://www.addcn.com.tw>

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5591 寶物交易
.com.tw

台灣知名線上遊戲交易平台

591 房屋交易
.com.tw

台灣領先租屋交易平台

8891 汽車交易
.com.tw

台灣熱門車類交易平台

518 人力銀行

台灣知名人力媒合平台

 **名品會**
MINPIN

台灣時尚優惠精品網站

 **Marry 結婚吧**

一站式婚禮服務平台

100 室內設計
Interior Design

台灣室內設計媒合平台

 **小雞上工**

全台最大學生打工平台

I. Letter to Shareholders

Dear shareholders,

Thank you all for the support of Addcn Technology in the previous year and the attendance of the 2020 annual meeting of the shareholders. On behalf of Addcn Technology Co., Ltd., I hereby welcome you all to give us precious advice.

I. Business results in 2019:

(1) Results of the business plan:

In 2019, the consolidated revenue of the Company was NT\$1,468,031 thousand and the operating profit reached NT\$717,142 thousand while the net profit after tax and EPS was NT\$600,852 thousand and NT\$14.14, respectively. The continued high stability of the business operation earns more than one capital stock for the shareholders every year. The Company also received the recognition of the international institution by winning the “2019 Asia’s Most Trusted Company.”

Under the efforts of the team, the influences of the websites under the Company continued to increase in various fields in 2019. The “591 Property Trading” already became the leading enterprise in the industry of second-hand housing rental and new construction project. The website continued to introduce more services such as the mortgage service to enhance our leading place. By the strategy of replacing the old by new ones, the “8891 Cars Trading” became the first priority for vehicle purchasing. In addition, we strengthened the outsourcing market by introducing the “Tasker Outsourcing” that integrates technologies such as the big data and machine learning to promote the efficiency of case matchmaking. Websites including the “100 Interior Design,” “Marry Wedding Service” and “Chickpt (Part-Time Human Resource)” continued to increase the leading advantage. Moreover, the “Chickpt” won two rewards of Google Play, which are the best APP of 2019 and the APP with most potential. Although the market operation was very difficult due to the impact of the significant changes in the internal and external situation of Hong Kong, the overall operation of “Hong Kong 591” and “Hong Kong 8591” still grew steadily in such environment. To focus on the development of the platforms in the long run, the Company terminated the operation of the e-commerce platform, VIP Brands Outlet, to utilize the resources in a more efficient way.

(2) Revenue and profitability analysis:

For the consolidated revenue, gross profit, operating profit, net profit of continuing department, net profit after tax in current period and the EPS after tax in 2019, please refer to the following table:

Unit: NT\$ thousands

Item \ Year	2019	2018
Operating revenue	1,468,031	1,478,744
Gross profit	1,155,098	1,170,177
Operating profit	717,142	728,260
Net profit after tax in current period	600,852	605,804
EPS after tax (NT\$)	14.14	14.04

(3) Research and development:

The Company has more than ten million of members, therefore the consumer behavior data is an important asset for our future websites. By constant enriching of the website contents and refining of the data algorithm, the Company increases the benefit generated

from the data resources. Besides, we constantly strive to optimize the mobile terminal.

II. Summary of 2020 Business Plan:

The global situation seems tougher due to the impact of epidemic. The top priority of the Company in 2020 is to secure the health of the team members to constantly create interest for the shareholders after the end of the epidemic. Talents are the most important asset of the network industry. Only healthy employees can ensure the long-term development of the Company. For the operation, the Company will expand the cooperation with off-line service providers to display the “matchmaking” influence of the websites in 2020. “591 Taiwan” and “8891” will deepen the services to provide a more complete services for the offline vendors such as the intermediary, business agent and bank. The “518 Human Resource” will pay more attention on the employment market of the service industry to expand the market participation of the website. After years of effort, “100 Interior Design,” “Marry Wedding Service” and “Chickpt” gradually becomes one of the leading enterprises in the industry and we expect these websites can operate independently. For the overseas market, “Hong Kong 591” reinforces the operation to expand the market in Zhuhai city of the Greater Bay Area while the “Hong Kong 8591” gradually stabilizes its operation and transforms the leading position to the actual contribution to the Company. We expect the arrangement and promotion stated above will significantly benefit the operation of the Company.

III. Impacts of the external competitive environment, the regulatory environment, and the macroeconomic business environment

The internationalization of the network market in Taiwan becomes more obvious and the impact of the overall environment increases every day. However, the progressively opening up of the overall regulations benefits the network industry. The Company upholds an innovative attitude to face the increasingly harsh challenges and continues to develop multiple convenient services to maintain the growing momentum of the Company. The management team of the Company has rich experience in practice and pays adequate attention to grasp the competitive, regulatory and the macroeconomic business environments in the market.

IV. Future development strategies

The network technology develops and changes every day. Thus, the Company will constantly invest in the research and development and improve the data algorithm and provide better user experience to satisfy the consumer demand via our technology. The market in Taiwan is the foundation of the Company, therefore we will strengthen the business in Hong Kong by our experience in Taiwan to expand into overseas markets. We will continue to explore the market based on the technology to build a growing business model with stability for the Company.

Thank you all for your participation. We also appreciate all of the hardworking employees. In the future, all employees of the Company will strive to boost the performance to create higher profits and value for all shareholders and adopt the sustainable operation as the final objective.

We wish each of you good health and all the best.

Chairman: Shih-Fang Liao

General Manager: Tsung-Hsien Wu

Chief Accountant: Chiao-Ni Chang

II. Company Profile

1. Date of Incorporation: : Jan 23, 1997

2. Company History :

Time	Milestones
2007/01	The Ministry of Economic Affairs approved the establishment of ADDcn Technology Co., Ltd. with the capital of NT\$ 15 million.
2007/05	8591 (virtual treasure trade) has become the Company's website.
2007/06	Founding 591(Property Trading).
2008/08	Capital increase was NT\$23.6 million. After the capital increase, the paid-in capital was NT\$38.6 million.
2009/01	Founding 1796 website.
2009/08	Founding 8891(Cars Trading).
2009/09	Founding 518 (Human Resource).
2009/10	Capital increase was NT\$41.4 million. After the capital increase, the paid-in capital was NT\$80 million.
2010/08	Capital increase was NT\$68.4 million. After the capital increase, the paid-in capital was NT\$148.4 million.
2011/05	The business and assets transfer of 518 (Human Resource).
2011/06	Capital reserve transferred to increase was NT\$27.36 million. After the transfer, the paid-in capital was NT\$175.76 million.
2011/11	Founding 101 (Online T-Shirt selling website).
2012/06	Earnings transferred to increase was NT\$104.24 million. After the transfer, the paid-in capital was NT\$280 million.
2012/07	Share certificates had been publicly issued.
2012/08	Shut down 1796 website.
2012/09	Registered the stock for TPEx trading.
2012/10	591(Property Trading) won The 9th National Yushan Brand Award –The Most Popular Brand.
2012/11	Shut down TWBBS website.
2012/11	591(house trade) won The 12th Golden Network Award of the Ministry of Economic Affairs - Service Platform Silver Award.
2013/03	Business Next magazine published the 2013 Top 100 list of Taiwan Internet:

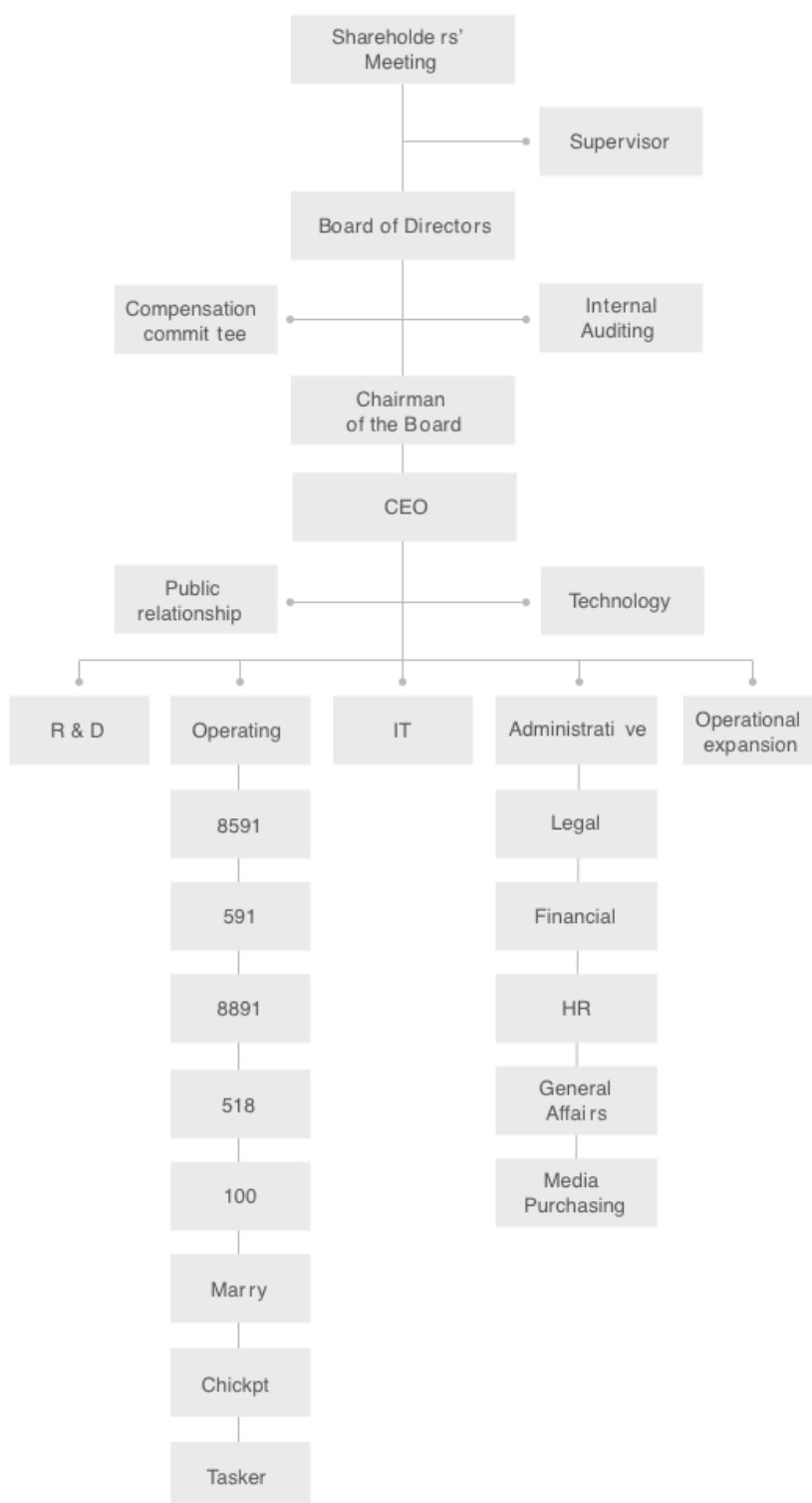
Time	Milestones
	591(Property Trading) ranked 57th in the "2013 Business Next Web100 List" and 8591 (virtual treasure trade) ranked 78th.
2013/10	8591 (virtual treasure trade) and 8891(Cars Trading) won The 10th National Yushan Brand Award –The Most Popular Brand.
2014/01	Capital increase was NT\$350 million. After the capital increase, the paid-in capital was NT\$315 million.
2014/01	List on the OTC market.
2014/03	Business Next magazine published the 2014 Top 100 list of Taiwan Internet: 591(Property Trading) ranked 53th in the "2014 Business Next Web100 List".
2014/06	Founding VIP Brands Outlet website.
2014/06	518 (Human Resource) won the Commercial Times Bronze Medal Award of The Best Service in Taiwan.
2014/07	Won the Deloitte & Touche 2014 Deloitte Asia Pacific Technology Fast500 Award.
2014/08	Founding 591 in HK.
2014/11	Merging 518(human resources).
2015/03	Business Next magazine published the 2015 Top 100 list of Taiwan Internet: 591(Property Trading) ranked 45th in the "2015 Business Next Web100 List" and 3rd in the most eye-catching website.
2015/06	Address Change of Head Office to 10F., No.12, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City.
2015/06	Re-invested digim Co., Ltd.
2015/06	518 (Human Resource) won the Commercial TimesSilver Medal Award of The Best Service in Taiwan.
2015/08	Earnings transferred to increase was NT\$94.5 million. After the transfer, the paid-in capital was NT\$409.5 million.
2015/11	Set up the Operational Expansion.
2015/11	Re-invested Jackercleaning Co., Ltd.
2015/11	Won Forbes Asia's 200 Best Listed SMEs.
2015/11	591(Property Trading) won The 12th National Yushan Brand Award –The Most Popular Brand First Prize Award. 8891(Cars Trading) and 518 (Human Resource) won The 12th National Yushan Brand Award –The Most Popular Brand.

Time	Milestones
2016/01	Google announced 2015 Taiwan Brand Search Rank: 591(Property Trading) ranked 8th.
2016/02	Business Next magazine published the 2016 Top 100 list of Taiwan Network Traffic: 8591 (virtual treasure trade) ranked 57th and 591(Property Trading) ranked 67th.
2016/05	Achieved the British Standards Institution (BSI) BS 10012:2009 Personal Information Management System (PIMS) international standard certification.
2016/06	Founding 100 (interior design website).
2016/08	Founding Marry (Wedding Service).
2017/06	101 Original Design was out of ADDCN.
2017/06	518 (Human Resource) won the Commercial Times Bronze Medal Award of The Best Service in Taiwan.
2017/06	Re-invested Cherri Tech, Inc.
2018/02	Founding Chickpt APP.
2018/06	Chickpt APP, Marry APP and 100 (Interior Design) APP won The 15th National Yushan Brand Award –The Best Product.
2018/07	518 (Human Resource) won the Commercial Times Bronze Medal Award of The Best Service in Taiwan.
2018/10	Set up 8591 (virtual treasure trade) website in HK.
2019/10	518 (Human Resource) won the " 2018 Evaluation of the Quality of Private Employment Service Institutions Engaged in Multinational Manpower Intermediary Service-A, etc. " by the Ministry of Labor.
2019/12	Chickpt APP won the Google Play "2019 Most Popular APP " and "Most Potential APP".
2019/12	ADDcn won the " 2019 ASIA'S MOST TRUSTED COMPANY ".

III. Corporate Governance Report

1. Organization

1.1 Organizational Chart :



1.2 Major Corporate Functions :

Department		Functions
President's Office		1.Executing resolutions of Board of Directors, leading the operation team to formulate operational strategies and promote various businesses. 2.To coordinate the management of the Board of Directors, the Shareholders' Meeting, the issuance of external information and public relations. 3.Responsible for the affairs related corporate governance evaluation to ensure sound corporate governance of the enterprise. 4.Promoting corporate social responsibility as well as the environmental, social, or corporate governance issues related to the Company.
Internal Auditing		To evaluate the implementation of internal control system and measure operational efficiency, and provide suggestions for improvement.
R & D		Responsible for the planning and development of websites and the device application of different platforms.
Operating		To construct a professional platform suitable for management and business.
IT		Information system backup and maintenance, network and data security; troubleshooting and software and hardware maintenance contractor liaison.
Operational expansion		To assist in various platform's business expansion and operation management of transnational organizations.
Administrative	General Affairs	Responsible for the procurement, management and maintenance of fixed assets, general and information supplies.
	HR	Responsible for human resource management and development, such as human resource planning, recruitment and appointment, salary, education and training.
	Financial	1.Budget preparation and control, implementation of accounting system, preparation of financial statements, statistics and analysis, tax planning and proceed of related project operations. 2.Responsible for fund dispatching, cash, bills and securities management and payment of various fees.
	Legal	Consultation and processing of legal issues.
	Media Purchasing	To promote our products through advertising media on various platforms.

2. Directors, Supervisors and Management Team :

2.1 Directors and Supervisors :

(1)Directors and Supervisors :

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Title	Nationality	Name	Gender	Date Elected	Term (years)	Date First elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Republic of China	Liao, Shih-Fang	Male	2018.06.14	3	2007.01.17	2,956,142	6.94%	3,437,142	8.07%	1,364,313	3.2%	7,737,506	18.17%	Education: 1. Graduate School of Architecture, Tam Kang University 2. Department of Architecture, National Cheng Kung University Experience: 1. Chen Xin Chang Architects Assistant	Note 1	-	-	-
Director	Republic of China	Wu, Tsung-Hsien	Male	2018.06.14	3	2009.11.26	348,406	0.82%	373,406	0.88%	-	-	-	-	Education: 1. Department of Information Management, Yu Da University of Science and Technology Experience: 1. Vice President of ADDCN Technology Co., Ltd	Note 2	-	-	-
Director	Republic of China	Lin, Mei-Hui	Female	2018.06.14	3	2010.06.17	150,470	0.35%	168,470	0.40%	-	-	-	-	Education: 1. Enterprise Management, Chinese Junior College of Industrial and Commercial Management Experience: 1. Financial Manager, i-View Process Post-Production Corp.	Note 3	-	-	-
Director	Republic of China	Cheng Yu investment ltd	-	2018.06.14	3	2018.06.14	2,254,024	5.29%	2,254,024	5.29%	-	-	1,138,846	2.67%	-	-	-	-	-

Title	Nationality	Name	Gender	Date Elected	Term (years)	Date First elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Republic of China	Wang, Chung-Ping	Male	2018.06.14	3	2018.06.14	-	-	-	-	-	-	-	-	Education: 1. PhD., Accounting Institute, Jinan University, Guangzhou 2. Master, Business Administration, Soochow University Experience: Partner Accountants, Jia Wei & Co., CPAs	Note 4	-	-	-
Independent Director	Republic of China	Lien, Chi-Jui	Male	2018.06.14	3	2012.10.19	-	-	-	-	-	-	-	-	Education: 1. PhD., Science Education, University of Iowa, USA Experience: 1. Vice President, National Taipei University of Education 2. Professor, National Taipei University of Education	Note 5	-	-	-
Independent Director	Republic of China	Chen, Fu-Mei	Female	2018.06.14	3	2012.10.19	-	-	-	-	-	-	-	-	Education: 1. PhD, Business Administration, Soochow University Experience: 1. Teaching Assistant, National Taipei University of Technology 2. Lecturer and Teaching Assistant, National Taitung University	Note 6	-	-	-
Supervisor	Republic of China	Rui Qi investment ltd	-	2018.06.14	3	2018.06.14	483,940	1.14%	483,940	1.14%	-	-	381,858	0.90%	-	-	-	-	-
Supervisor	Republic of China	Huang, Mu-Chuan	Male	2018.06.14	3	2012.10.19	-	-	-	-	-	-	-	-	Education: 1. Department of Accounting, Feng Chia University Experience: 1. Financial Manager, Futsu Construction Co., Ltd	Note 7	-	-	-

Title	Nationality	Name	Gender	Date Elected	Term (years)	Date First elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Supervisor	Republic of China	Chen, Chin-Han	Male	2018.06.14	3	2015.06.11	1,341	0.00%	1,341	0.00%	-	-	-	-	Education: 1.School of Law, Soochow University Experience: 1.Lawyer, Han Sheng law firm	Note 8	-	-	-

Note1. (1)Chairman and General manager, i-View Process Post-Production Corp. (2) Corporate Chairman Representative, Magcom Co., Ltd (3) Chairman, ADDWE Technology Co., Ltd. (4)Chairman, Sheng Cheng investment ltd (5) Corporate Director Representative, Jia Lin investment ltd (6) Corporate Chairman Representative, Qian Yi investment ltd (7) Corporate Director Representative, Local Scenery Film Co., Ltd. (8) Supervisor, Catan Technology Co., Ltd (9) Corporate Director Representative, ADDCN(SAMOA) (10) Corporate Director Representative, ADDcn Technology (Shenzhen) Co., Ltd (11) Corporate Director Representative, ADDcn Technology (Hong Kong) Co., Ltd (12) Representative of corporate director, Jhen Vei Electronic Co., Ltd. (13) Representative of corporate director, Jia Lin III Venture Capital Co., Ltd

Note2. (1)GM, the Company (2) Corporate Director Representative, digit marketing Co., Ltd

Note3. Operating Division Associate of The Company

Note4. (1)Partner Accountants, Jia Wei & Co., CPAs (2) Supervisor, TaiDoc Technology Corporation. (3) Independent Director, Tex Year Industries Inc. (4) Corporate Supervisor Representative, Jia Lin investment ltd

Note5. Independent Director, Taiwan Taomee Co., Ltd

Note6. (1)Manager, Office of Industry-Academia Cooperation, National Taipei University of Science and Technology (2) Director, Taiwan Small & Medium Enterprise Counseling Foundation

Note7. Partnership accountant, Yangtze CPAs and Co.

Note8. Attorney-in Charge, Han Sheng law firm

(2)Major shareholders of the institutional shareholders :

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Name of Institutional Shareholder	Major shareholder
Cheng Yu investment ltd	Lin, Hung-Chun(90.40%)
Rui Qi investment ltd	Chen, I-Chi(100.00%)

(3)Professional qualifications and independence analysis of directors and supervisors :

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Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10	11	12	
Liao, Shih-Fang	-	-	✓	✓	-	-	-	-	✓	-	-	✓	✓	✓	✓	-
Wu, Tsung-Hsien	-	-	✓	-	-	✓	-	✓	✓	-	✓	✓	✓	✓	✓	-
Lin, Mei-Hui	-	-	✓	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	-
Cheng Yu investment ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wang, Chung-Ping	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lien, Chi-Jui	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chen, Fu-Mei	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Rui Qi investment ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Huang, Mu-Chuan	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Chen, Chin-Han	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- (1) Not an employee of the company or an affiliate.
- (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is a concurrent independent director of the Company, its parent company, any subsidiary, or a subsidiary that belongs to the same parent company, as appointed in accordance with the Act or with the laws of the local country).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person and his/her spouse, minors, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3).
- (5) Not a director, supervisor, or employee that has 5% or higher ownership interest in the company, being the top-5 corporate shareholders or the institutional shareholders who designate representative as the corporate director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act. (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor, or employee of another Company in which the number of directors or more than half of the voting shares is under the control of the same person. (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (7) Not a director, supervisor or employee of other Company or institution in which the chairman, president, or personnel with equivalent position are the same person or have spouse relationship. (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws

- of the country of the parent or subsidiary.)
- (8) Not a director, supervisor, manager, or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relationship with the Company. (the same does not apply, however, in cases where the specific company or institution holds 20% or more and no more than 50% of the total number of issued shares of the company and the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (9) Not a professional who provides audits or commercial, legal, financial, or accounting services accumulating more than NT\$ 500,000 of remuneration obtained in recent two years to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates. However, this shall not apply to the remuneration committee members who exercise their powers in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange, or the members of the remuneration committee, review committee for public acquisitions or special committee for mergers executing their duties in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Is not the spouse or relative within the second degree of kinship of another director.
- (11) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
- (12) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

2.2 Management Team :

Apr 20,2020

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager	Republic of China	Wu, Tsung-Hsien	Male	2007.01	373,406	0.88%	-	-	-	-	Education: 1. Department of Information Management, Yu Da University of Science and Technology Experience: 1. Vice President of ADDCN Technology Co., Ltd	Note 1	-	-	-
Deputy GM	Republic of China	Qiu, Jian-Ming	Male	2015.02	66,020	0.16%	1,000	0.00%	-	-	Education: 1. Department of Commercial Design, Ming Chuan University Experience: 1. GM, 518 Technology Co., Ltd	-	-	-	-
Associate, Management Division	Republic of China	Lin, Mei-Hui	Female	2007.06	168,470	0.40%	-	-	-	-	Education: 1. Enterprise Management, Chinese Junior College of Industrial and Commercial Management Experience: 1. Financial Manager, i-View Process Post-Production Corp.	-	-	-	-
Manager, Finance Division	Republic of China	Chang, Chiao-Ni	Female	2012.06	23,107	0.05%	-	-	-	-	Education: 1. Accounting Department, Yuan Ze University Experience: 1. KPMG-Manager	-	-	-	-
Deputy Manager,	Republic of China	Xu, Yun-Qian	Female	2015.08	4,500	0.01%	-	-	-	-	Education: 1. Department of Finance, Hsuan Ceuang University	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Audit Division											Experience: 1. Audit Specialist, Taiwan Surface Mounting Technology Corp.				
Director IT Division	Republic of China	You, Shun-Yuan	Male	2009.12	10,208	0.02%	-	-	-	-	Education: 1. Secretarial Science, Chungyu Institute of Technology Experience: 1. IT, Car Quality Automotive Co., Ltd	-	-	-	-
Deputy Manager, Public Relationship	Republic of China	Yu, Chu-Yu	Male	2014.06	3,000	0.01%	-	-	-	-	Education: 1. Department of Banking and Finance, TKU Experience: 1. Corporate Finance Department, Cathay Financial Holdings Co. Ltd	-	-	-	-

Note 1. Corporate Director Representative, digim Co., Ltd.

Note 2. The Company GM Wu, Tsung-Hsien holds a part-time position of R&D manager.

3. Remuneration of Directors, Supervisors, President, and Vice President :

3.1 Remuneration of Directors :

Unit: NT\$ thousand

Title	Name	Director remuneration								The sum of A, B, C and D as a percentage of after-tax net profit		Remuneration from other jobs								The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit		Remuneration from investees beyond subsidiaries or the parent company
		Remuneration (A)		Retirement pension (B)		Director remuneration (C)		Business execution expenses (D)				Remuneration, bonus and special fees (E)		Retirement pension (F)		Employee remuneration (G)						
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	Cash	Stock	Cash	Stock			
Chairman	Liao, Shih-Fang	-	-	-	-	1,057	1,057	25	25	0.18%	0.18%	-	-	-	-	-	-	-	-	0.18%	0.18%	-
Director	Wu, Tsung-Hsien	-	-	-	-	1,057	1,057	25	25	0.18%	0.18%	8,687	8,687	-	-	22,543	-	22,543	-	5.38%	5.38%	-
Director	Lin, Mei-Hui	-	-	-	-	1,057	1,057	25	25	0.18%	0.18%	3,324	3,324	-	-	5,357	-	5,357	-	1.62%	1.62%	-
Director	Cheng Yu investment ltd	-	-	-	-	1,057	1,057	20	20	0.18%	0.18%	-	-	-	-	-	-	-	-	0.18%	0.18%	-
Director	Wang, Chung-Ping	-	-	-	-	1,057	1,057	25	25	0.18%	0.18%	-	-	-	-	-	-	-	-	0.18%	0.18%	-
Independent Director	Lien, Chi-Jui	1,046	1,046	-	-	-	-	25	25	0.18%	0.18%	-	-	-	-	-	-	-	-	0.18%	0.18%	-
Independent Director	Chen, Fu-Mei	1,046	1,046	-	-	-	-	25	25	0.18%	0.18%	-	-	-	-	-	-	-	-	0.18%	0.18%	-
1.Please describe the policy, system, standard, and structure of remuneration payment for independent directors, and the association with the remuneration payment amount by factors such as function of the director, risk, and involvement duration: According to Article 17 of the Articles of Incorporation, the board of directors is authorized to determine the level of remuneration for the directors and supervisors based on individual participation and contribution to the Company's operations, and in reference to industry peers. The performance evaluation of Board of Directors and individual direction is conducted every year according to the “Regulations Governing the Board of Directors’ Performance Evaluation.” The evaluation items include the involvement in the operation of the Company, the quality of the Board of Directors' decision making, management of internal relationship and communication, and internal control. The performance evaluation results will be the reference for the determination of individual remuneration. 2.In addition to what are disclosed in the above table, the remuneration of the Company’s directors for providing services (such as assuming a non-employee consulting post) for the companies included in the financial statement in most recent years: None.																						

Range of Remuneration:

Range of Remuneration	Director name			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements H	The Company	Companies in the consolidated financial statements I
Lower than 1,000,000	-	-	-	-
1,000,000 (inclusive) - 2,000,000 (exclusive)	Liao, Shih-Fang Wu, Tsung-Hsien Lin, Mei-Hui Cheng Yu investment ltd Wang, Chung-Ping Lien, Chi-Jui Chen, Fu-Mei	Liao, Shih-Fang Wu, Tsung-Hsien Lin, Mei-Hui Cheng Yu investment ltd Wang, Chung-Ping Lien, Chi-Jui Chen, Fu-Mei	Liao, Shih-Fang Cheng Yu investment ltd Wang, Chung-Ping Lien, Chi-Jui Chen, Fu-Mei	Liao, Shih-Fang Cheng Yu investment ltd Wang, Chung-Ping Lien, Chi-Jui Chen, Fu-Mei
2,000,000 (inclusive) - 3,500,000 (exclusive)	-	-	-	-
3,000,000 (inclusive) - 5,000,000 (exclusive)	-	-	-	-
5,000,000 (inclusive) - 10,000,000 (exclusive)	-	-	Lin, Mei-Hui	Lin, Mei-Hui
10,000,000 (inclusive) - 15,000,000 (exclusive)	-	-	-	-
15,000,000 (inclusive) - 30,000,000 (exclusive)	-	-	-	-
30,000,000 (inclusive) - 50,000,000 (exclusive)	-	-	Wu, Tsung-Hsien	Wu, Tsung-Hsien
50,000,000 (inclusive) - 100,000,000 (exclusive)	-	-	-	-
100,000,000 or more	-	-	-	-
Total	7	7	7	7

3.2 Remuneration of Supervisors :

Unit: NT\$ thousand

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income		Remuneration from investees beyond subsidiaries or the parent company
		Remuneration (A)		Bonus to Supervisors (B)		Business execution expenses (C)				
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	
Supervisor	Huang, Mu-Chuan	1,046	1,046	2,114	2,114	75	75	0.53%	0.53%	-
Supervisor	Chen, Chin-Han									
Supervisor	Rui Qi investment ltd									

Range of Remuneration:

Range of Remuneration	Name of Supervisor	
	Total amount of the first three remunerations (A+B+C)	
	The Company	Companies in the consolidated financial statements D
Lower than 1,000,000	-	-
1,000,000 (inclusive) - 2,000,000 (exclusive)	Huang, Mu-Chuan Chen, Chin-Han Rui Qi investment ltd	Huang, Mu-Chuan Chen, Chin-Han Rui Qi investment ltd
2,000,000 (inclusive) - 3,500,000 (exclusive)	-	-
3,000,000 (inclusive) - 5,000,000 (exclusive)	-	-
5,000,000 (inclusive) - 10,000,000 (exclusive)	-	-
10,000,000 (inclusive) - 15,000,000 (exclusive)	-	-
15,000,000 (inclusive) - 30,000,000 (exclusive)	-	-
30,000,000 (inclusive) - 50,000,000 (exclusive)	-	-
50,000,000 (inclusive) - 100,000,000 (exclusive)	-	-
100,000,000 or more	-	-
Total	3	3

3.3 Remuneration of the President and Vice President :

Unit: NT\$ thousand

Title	Name	Salary (A)		Retirement pension (B)		Bonus and special fees (C)		Employee remuneration (D)				The sum of A, B, C and D as a percentage of after-tax net profit(%)		Remuneration from investees beyond subsidiaries or the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Wu, Tsung-Hsien	6,841	6,841	-	-	6,766	6,766	29,241	-	29,241	-	7.13%	7.13%	-
Deputy GM	Qiu, Jian-Ming													

Range of Remuneration:

Range of Remuneration	Name of General Manager and Deputy GM	
	The Company	Companies in the consolidated financial statements
Lower than 1,000,000	-	-
1,000,000 (inclusive) - 2,000,000 (exclusive)	-	-
2,000,000 (inclusive) - 3,500,000 (exclusive)	-	-
3,000,000 (inclusive) - 5,000,000 (exclusive)	-	-
5,000,000 (inclusive) - 10,000,000 (exclusive)	-	-
10,000,000 (inclusive) - 15,000,000 (exclusive)	Qiu, Jian-Ming	Qiu, Jian-Ming
15,000,000 (inclusive) - 30,000,000 (exclusive)	-	-
30,000,000 (inclusive) - 50,000,000 (exclusive)	Wu, Tsung-Hsien	Wu, Tsung-Hsien
50,000,000 (inclusive) - 100,000,000 (exclusive)	-	-
Total	2	2

Note: No requirements referred to in Article 10, Paragraph 1, Subparagraph 3, and Item 3 of the “Regulations Governing Information to be Published in Annual Reports of Public Companies” are applicable to the Company. Hence, the Company is not required to disclose the remuneration of the officers as the top-five remuneration payees.

3.4 Managers with Employee Remuneration Distribution :

Unit: NT\$ thousand

	Title	Name	Stock Bonus	Cash Bonus	Total	Ratio of Total Amount to Net Income (%)
Managers	General Manager	Wu, Tsung-Hsien	-	37,704	37,704	6.27%
	Deputy GM	Qiu, Jian-Ming				
	Associate, Management Division	Lin, Mei-Hui				
	Manager, Financial Division	Chang, Chiao-Ni				
	Deputy Manager, Audit Division	Xu, Yun-Qian				
	Director, IT Division	You, Shun-Yuan				
	Deputy Manager, Public Relationship	Yu, Chu-Yu				

Note : The amount distributed has not been approved by the board of directors.

3.5 Comparison and explanation of the analysis of the ratio of total remuneration (paid to the Directors, Supervisors, General Manager and Deputy General Managers of the Company by the Company and all the companies in the consolidated statements in the last two years to net profit after tax and the correlation among the remuneration payment policy, standards and combinations, the procedures for setting the remuneration, the business performance and future risks :

- (1) Analysis of the ratio of total remuneration paid by the Company and Companies in the consolidated financial report to its Directors, Supervisors, General Manager and Deputy General Managers in the last two years to net profit after tax on parent company only or consolidated financial reports is as follows :

Unit: NT\$ thousand

Title	2018				2019			
	Total Remuneration		Ratio to Net Profit after Tax		Total Remuneration		Ratio to Net Profit after Tax	
	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements	The Company	Companies in the financial statements
Director	7,681	7,681	1.29%	1.29%	7,486	7,486	1.25%	1.25%
Supervisor	3,297	3,297	0.55%	0.55%	3,298	3,298	0.55%	0.55%
General Manager and Deputy GM	50,803	52,859	8.53%	8.88%	42,848	42,848	7.13%	7.13%

- (2) The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance :

(A) The policies of remuneration payment to directors, supervisors and managerial

officers are specified in the Articles of Corporation. According to Article 20 of the Articles, annual profits concluded by the Company shall be subject to employees' remuneration of no less than 1% and the directors and supervisors' remuneration may be provided up to 3% of the annual profits. The determination of remuneration is based on certain limit of the annual earnings ratio, therefore the remuneration has high association with the business performance of the Company.

- (B) The board of directors is authorized to determine the level of remuneration and travel allowance for the directors and supervisors based on individual participation and contribution to the Company's operations, and in reference to industry peers. The performance evaluation of Board of Directors and individual direction is conducted every year according to the "Regulations Governing the Board of Directors' Performance Evaluation." The evaluation items include the participation in the operation of the company, the quality of the Board of Directors' decision making, management of internal relationship and communication, and internal control. The performance evaluation results will be the reference for the determination of individual remuneration.
- (C) The remuneration of the President and Vice President (level) is calculated as salary and employee's cash pay pursuant to the "Managerial Officer Remuneration Regulations." The performance of the managerial officer is evaluated every year according to the performance evaluation guidelines in the "Employee Handbook." The evaluation items include the work performance, leading ability and skill, and the evaluation is conducted in a comprehensive manner. The remuneration committee regularly evaluates the policy, system, standard and structure with respect to the performance and remuneration of the managerial officer, reports to the Board of Directors, and implements accordingly after the Board of Directors gives its approval. The remuneration committee reviews the remuneration system of directors and managerial officers, whenever necessary, with reference to the actual operational status, relevant laws and regulations, and the risk in the future.
- (D) Future risk: In order to prevent risks, the Company has insured directors, supervisors and managers liability insurance.

4. Implementation of Corporate Governance :

4.1 Board of Directors :

A total of 5 meetings of the Board of Directors (A) were held in the previous period. The attendance of director and supervisor were as follows :

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) [B/A]	Remarks
Chairman	Liao, Shih-Fang	5	0	100%	-
Director	Wu, Tsung-Hsien	5	0	100%	-
Director	Lin, Mei-Hui	5	0	100%	-
Director	Cheng Yu investment ltd	4	1	80%	-
Director	Wang, Chung-Ping	5	0	100%	-
Independent Director	Lien, Chi-Jui	5	0	100%	-
Independent Director	Chen, Fu-Mei	5	0	100%	-
Supervisor	Huang, Mu-Chuan	5	0	100%	-
Supervisor	Chen, Chin-Han	5	0	100%	-
Supervisor	Rui Qi investment ltd	5	0	100%	-

Other matters to be recorded:

1. The Company does not have any of the items listed in Article 14-3 of the Securities and Exchange Act or other matters that have been rejected or reserved by independent directors and have been discussed by the Board of Directors with a record or written statement.
2. Execution of directors' avoidance of interest proposals: Directors shall evade participation in discussions and voting on their remuneration related proposals.
3. Implementation status of Board of Directors evaluation :

Cycle	Period	Scope	Method	Description
An internal evaluation is conducted every year. An external evaluation is conducted by a third-party institution or an external team of experts and scholars every three years.	The performance of the Board of Directors from January 1, 2019 to December 31, 2019 was evaluated.	The performance of the Board of Directors, individual directors, and the functional committee.	Internal evaluation of the Board of Directors, self-evaluation of individual directors, peer evaluation, and performance evaluation conducted by an external professional institution, a team of experts, or via other appropriate means.	1. Performance evaluation of Board of Directors: At least including the participation in the operation of the company, the quality of the Board of Directors' decision making, the organization and structure of the Board of Directors, election and continuing education of the directors, and internal control. 2. Performance evaluation of individual directors: At least including the alignment of the goals and mission of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication; the director's professionalism and continuing education, and internal control. 3. Performance evaluation of the functional committee: Participation in the operation of the company, awareness of the duties of the functional committee, the quality of the functional committee's decision making, organization of the functional committee and election of its members, and internal control.

4. The goals of enhancing the Board of Directors' function (e.g. Establishment of an audit committee and improvement of the information transparency) in the current or most recent year and the implementation status.
 - (1) Implementation of corporate governance and improvement of information transparency: The Board of Directors operates in accordance with the Rules of Procedure for Shareholder Meetings and convenes the Board of Directors' meeting of the Company accordingly. The implementation status is excellent.
 - (2) Evaluation of Board of Directors: The Board of Directors adopted the "Regulations Governing the Board of Directors' Performance Evaluation" and the "Regulations for Self-evaluation for the Board of Directors and Peer Review" in 2019. The first performance evaluation of Board of Directors was conducted in the first quarter of 2020. The implementation status and result of the evaluation are disclosed on the website or in the annual report of the Company.
 - (3) Establishment of an audit committee: The regulations and corresponding matters for establishment of an audit committee will be formulated in 2020 and the committee will be established in 2021.

4.2 Audit Committee or Attendance of Supervisors at Board Meetings :

- (1) Audit Committee : The Company has not set up an audit committee.
- (2) Attendance of Supervisors at Board Meetings :

A total of 5 meetings of the Board of Directors were held in the previous period. The attendance of supervisors was as follows:

Title	Name	Actual no. of meetings attended (B)	Actual attendance rate (%) (B/A)	Remark
Supervisor	Huang, Mu-Chuan	5	100%	-
Supervisor	Chen, Chin-Han	5	100%	-
Supervisor	Rui Qi investment ltd	5	100%	-
Other matters to be recorded:				
1. Composition and responsibilities of Supervisors:				
(1) Communication of supervisors with employees and shareholders (e.g. communication channels and methods): The Company has designated personnel who can contact supervisors whenever necessary to establish communication channels with the Company’s employees and shareholders. Supervisors are invited to the shareholders’ meeting every year and they can communicate with the shareholders face to face at the meeting.				
(2) Communication of supervisors with the internal chief auditor and CPA. (e.g. the matters, methods and results of communication with regard to the financial and business statuses of the Company):				
1. Communication of supervisors with the internal chief auditor				
(1) Regular: Submit the completed “audit report” to each supervisor for review via email every month. If there are any questions or instructions, ask the chief auditor or communicate the instructions to him/her for implementation via email or phone. Submit the “internal audit implementation status” of the previous quarter before and after the Board of Directors’ meeting is convened every quarter. The contents of the submission include the implementation status of the Company’s audit matters, findings during the audit, and implementation of improvements for any nonconformities.				
(2) Irregular: Routine communication for improving the Company’s audit value and enhancing the operating efficiency and achievement is conducted by phone, via email, or by convening meetings. supervisors are informed of any major violations, if any, according to laws and regulations. There are multiple and smooth communication channels between the Company’s chief auditor and each independent director.				
2. Communication of supervisors with the CPA				
As KPMG Taiwan’s answers to our question indicate, communication between the supervisors and CPAs is conducted mainly through the annual audit meeting and annual audit completion meeting or by conference call. The communication mainly focuses on accounting and financial report issues.				
3. Summary of the Communication between supervisors and the internal chief auditor in most recent year				
Date		Communication Focus		Result
Mar 14, 2019 Board of Directors		2018 Q4 report on internal audit implementation status 2018 Statement on Internal Control System		No objection
May 14, 2019 Board of Directors		2019 Q1 report on internal audit implementation status		No objection
Aug 13, 2019 Board of Directors		2019 Q2 report on internal audit implementation status		No objection
Nov 13, 2019 Board of Directors		2019 Q3 report on internal audit implementation status 2020 Audit Plan		No objection
2. If Supervisors state their opinions in a board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the results of the board resolution and the Company’s handling of the Supervisors’ opinions: The Company did not encounter this situation.				

4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” :

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
1. Has the Company established and disclosed the governance practice principles according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established its “Corporate Governance Best Practice Principles” based on the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and disclosed the same on the MOPS and the Company's website.	No major difference
2. Equity structure and shareholders' rights of the Company				No major difference
(1) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	✓		(1) The Company has established a responsible unit to deal with the suggestions, questions, disputes and legal actions from shareholders and designed a shareholder section and contact on the Company website.	
(2) Does the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders?	✓		(2) The Company periodically updates the roster of shareholders with the shareholder services agent and the obtains the list of major shareholders and the ultimate controllers of such shareholders of the Company.	
(3) Does the Company establish and implement the risk control and firewall mechanism with the related parties?	✓		(3) The Company has established relevant systems in the internal control system in accordance with the laws and effectively controlled the risks between the Company and its affiliates.	
(4) Has the Company established internal regulations to prohibit Company insiders from using information not available to the market to trade securities?	✓		(4) The Company has established the “Operating Procedures for Prevention of Insider Trading” to prevent insider trading, reminds the directors, supervisors, managers, and employees to pay attention to relevant laws and contents regulated by the competent authority at least once a year and provides timely educational promotions for the new directors, supervisors, managers, and employees. The	

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			Company also discloses the relevant methods and status of implementation on the Company website.	
3. Composition and responsibilities of board of directors				No major difference
(1) Has the Company formulated a policy of diversity for the formation of the Board of Directors and implemented it thoroughly?	✓		(1) The Company has established a policy of diversity for the formation of the Board of Directors. For the objectives and implementation of the policy, please refer to Note1.	
(2) Is the Company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?	✓		(2) Besides establishing the remuneration committee based on the regulations, the Company also established the special committee for mergers in 2016.	
(3) Has the Company established guidelines and methods for evaluating the performance of the Board of Directors, conducted regular performance evaluations every year and reported the results to the Board of Directors? Has the Company utilized the results as the reference for the individual remuneration and reelection nomination of directors?	✓		(3) The Company has established the “Regulations Governing the Board of Directors’ Performance Evaluation” and the “Regulations for Self-evaluation for the Board of Directors and Peer Review” approved by the Board of Directors and assessed the Board of Directors and the functional committee. Please refer to p. 31 of the annual report for the evaluation method and contents. The unit responsible for board meetings collects and analyzes the evaluation results and submits the evaluation report to the Board of Directors. The Company has completed the performance evaluation of the Board of Directors and the functional committee in 2019 and reported the results at the directors’ meeting on March 12, 2020. All evaluation results are well-performing in each aspect.	

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(4) Does the Company assess the CPAs for their independence on a regular basis?	✓		The preceding regulations and evaluation results were also disclosed on the Company website. In addition, the regulations specified that the performance evaluation results of the Board of Directors shall be used as reference for the election or nomination of directors; the performance evaluation results of individual directors shall be the reference for the determination of individual remuneration. (4) According to the “Corporate Governance Principles” of the Company, the Company assesses the CPAs for their independence and competency at least once a year. If the Company retains the service of the same CPAs for seven consecutive years or the CPA involves in matter violating or damaging their independence, the Company shall assess the necessity of changing the CPA and report the assessment result to the Board of Directors.	
4. Does the Company have qualified governance personnel in an appropriate number and designate one chief corporate governance officer to oversee corporate governance affairs (including but not limited to provide the directors and supervisors with information required for business execution, handle matters relating to board meetings and shareholders’ meetings according to laws, handle company and change registration and produce minutes of board and shareholders’ meetings, etc.)?	✓		The Company has established the Corporate Governance Best Practice Principles and disclosed it on the Company website. So far the implementation of affairs related to corporate governance remains good.	No major difference

Scope of Assessment	Status (Note 1)			Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
5. Does the Company establish channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues of interest to the stakeholders?	✓		The Company has established special web pages for the stakeholders on the website and provided contact information for the spokesperson and each stakeholder contact person to maintain smooth communication channels with the shareholders, employees, customers and suppliers. Major concerns of the stakeholders and the respond of the Company: A. Shareholders/investors: Issues concerning the business performance, financial and business conditions and market image of the Company. The Company communicates with the investors via the annual shareholders' meeting and irregular investor conferences. In addition, the Company establishes the spokesperson system to answer the questions of the investors to provide financial and business information with high transparency for the investors. B. Employees: Issues concerning the employee welfare and educational training. The Company communicates with the employees via the intranet, internal communication software, face-to-face, telephone and the employee opinion mailbox and responds to the needs of the employees. C. Customers: Issues concerning the website operations. The Company provides contact information for members of each website on the Company website and responds to the questions of the customers via consumer hotline and mailbox. D. Suppliers: Issues concerning the equipment maintenance. The	No major difference

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			Company provides contact channels on the Company website and communicates with the suppliers via conferences, conference calls, telephone and mails.	
6. Does the Company commission a professional registrar to deal with the affairs of shareholders’ meetings?	✓		The Company has appointed the Capital Securities Corporation to handle the shareholders service affairs on behalf of the Company.	No major difference
7. Information Disclosure (1) Has the Company built a website to disclose the financial and corporate governance information of the Company? (2) Does the Company use other information disclosure methods (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and the broadcasting of investor conferences via the company website)? (3) Does the Company publicly announce and file the annual financial report within two months after the close of fiscal year and announce and file the financial reports of the first, second and third quarters and the monthly operation status prior to the regulated deadline?	✓ ✓ ✓		(1) The Company has built a website maintained by designated personnel to disclose relevant information regularly. (2) The Company has designated personnel responsible for the collection and disclosure of the Company’s information, such as the establishment of Chinese and English investor section and implementation of the spokesperson and deputy spokesperson system in accordance with the regulations. (3) The Company has publicly announced and filed the annual and quarterly financial reports along with the monthly operation status which are audited and certified by a certified public accountant, approved by the Board of Directors and recognized by the supervisors within the regulated deadline based on the “Securities and Exchange Act.” The Company also publicly announced and filed the financial information mentioned above prior to the regulated deadline permitted by relevant operation process.	No major difference
8. Does the Company have additional important information	✓		The Company has established the “Corporate Governance Best Practice	No major difference

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
that is helpful to understand the operation of the corporate governance (including but not limited to the interests and care of employees, investor relationships, supplier relationships, rights of stakeholders, further education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, and liability insurance coverage for directors and supervisors)?			Principles” resolved and approved by the Board of Directors and disclosed it on the Company website. A. Employee rights and employee care: The Company establishes the Employee Welfare Committee which consist of members elected by the employees to handle the employee welfare matters and contribute pension fund according to the Labor Pension Act. Relevant laws including the Labor Standards Act, Act of Gender Equality in Employment, Sexual Harassment Prevention Act are adopted as the minimal standard for the establishment of all regulations and measures of the Company related to the relations between laborers and employer to ensure the employee’s rights. The status of implementation remains good. All addition or amended measures related to the relations between laborers and employer are determined after sufficient negotiation and communication between the employers and employees to achieve the win-win situation. The Company also holds labor-management conference regularly and builds open communication channel to timely understand the thoughts and suggestions of the employees and use it as reference for each benefit adjustment and system optimization of the Company. B. Investor relations: The Company designates the responsible unit to collect and disclose information related to the Company and establishes the spokesperson, deputy spokesperson and shareholder service agent for the shareholders and investors to	

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			consult questions related to the Company. C. Supplier relations: For the supplier management procedure of the Company, besides maintaining the purchase quality, the Company establishes long-term close relationship, cooperation and mutual trust with the suppliers to jointly pursue sustainable growth and win-win situation. D. Rights of stakeholders: The Company maintains open communication channels with correspondent banks, employees, customers and suppliers to respect and protect their legal rights. The Company also establishes the spokesperson system to answer the questions of the investors to provide financial and business information with high transparency for the investors and stakeholders. E. Continuing education for directors and supervisors: The directors have taken continuing education according to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.” The Company also arranges appropriate irregular continuing courses for the directors. F. Implementation of risk management policies and risk evaluation measures: The Company establishes various rules and regulations in accordance with the laws so as to carry out risk assessment and implement internal audit operation.	

Scope of Assessment	Status (Note 1)			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			G. Implementation of customer policies: The Company strives to provide comprehensive services and protection for the customers. When customers has complains, the Company not only proceeds sufficient communication immediately with the customers to understand their needs and promote interaction between the Company and the customers but also irregularly reviews and improves the implementation at the internal conference of the Company. H. Liability insurance coverage for directors and supervisors: The Company has bought liability insurance for the directors and supervisors to strengthen the protection of the shareholder’s equity. I. Operation of the Board of Directors: The directors and supervisors of the Company both has high attendance rate in the meeting to faithfully supervise the operation status of the corporate governance. The directors of the Company uphold high self-disciplined principles. If the director is an interested party in relation to motions proposed at a directors’ meeting which may impair the interest of the Company, they shall not participate in the voting.	
9. Please specify the status of the improvement made, based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures for any issues that are yet to be rectified. The Company has completed the corporate governance self-evaluation in 2019, conducted review and improvement according to the evaluation results and acquired the balance between corporate operations to constantly promote the compliance with relevant regulations.				

10. The succession planning of the Board members and important management and its implementation: (1) The succession planning of the Board members Currently, the Company has 7 directors including 2 independent directors with commercial, finance, accounting or management expertise required for the Company's operation. The organization of the Company's Board of Directors and its member background and experience will maintain the current structure in the future. For the succession planning of the Board of Directors, the Company currently has various top management talents, therefore we have sufficient talent bank to fill the openings of directors in the future. As for the independent directors, they shall have commercial, legal, financial, accounting or other work experience required to perform the assigned duties based on the regulations and we have sufficient domestic professionals in this aspect. Thus, the Company plans to choose professionals familiar with the Company's industry to succeed as the independent directors. (2) The succession planning of important management The important management of the Company are still young or middle-aged and have not yet reached the age of retirement, so the risk of succession is relatively low. In addition, the management has completed the job description and designated their substitutes. By executing different projects and tasks over a long period of time, the management trains and cultivates the professional knowledge, management capability, cross-department communication, and negotiation of the substitutes. The Company also enhances the team leadership, management competence and professional capability by annual educational training and external courses to cultivate and pass on diverse talents.	11. The succession planning of the Board members and important management and its implementation: (1) The succession planning of the Board members Currently, the Company has 7 directors including 2 independent directors with commercial, finance, accounting or management expertise required for the Company's operation. The organization of the Company's Board of Directors and its member background and experience will maintain the current structure in the future. For the succession planning of the Board of Directors, the Company currently has various top management talents, therefore we have sufficient talent bank to fill the openings of directors in the future. As for the independent directors, they shall have commercial, legal, financial, accounting or other work experience required to perform the assigned duties based on the regulations and we have sufficient domestic professionals in this aspect. Thus, the Company plans to choose professionals familiar with the Company's industry to succeed as the independent directors. (2) The succession planning of important management The important management of the Company are still young or middle-aged and have not yet reached the age of retirement, so the risk of succession is relatively low. In addition, the management has completed the job description and designated their substitutes. By executing different projects and tasks over a long period of time, the management trains and cultivates the professional knowledge, management capability, cross-department communication, and negotiation of the substitutes. The Company also enhances the team leadership, management competence and professional capability by annual educational training and external courses to cultivate and pass on diverse talents.
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Note 1: The diversity policy of the Board of Directors and implementation

(1) Policies on diversity

According to Article 20 of the "Corporate Governance Best Practice Principles" of the Company, the composition of the Board of Directors shall be determined by taking diversity into consideration. Besides the

directors holding the position as the Company's managers concurrently shall not exceed one-third of the total number of directors, it is advisable that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- A. Basic requirements and values: Gender, age, nationality, and culture.
- B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- A. Ability to make operational judgments.
- B. Ability to perform accounting and financial analysis.
- C. Ability to conduct management administration.
- D. Ability to conduct crisis management.
- E. Knowledge of the industry.
- F. An international market perspective.
- G. Ability to lead.
- H. Ability to make policy decisions.

(2) Status of implementation

The Company pays attention to the diversity for the formation of Board of Directors and the Board member consists of industrial and academic experts. There are 3 doctors and 1 master in the current 8 individual directors and supervisors and the ratio of directors and supervisors with doctor/master degree reached 50% while those with employee identity accounted for 20% and female directors for 20%. The professional capability of the Board members includes professional fields of information, business administration, finance, accounting and law and most members have knowledge, skills, and experience necessary to perform their duties. Please refer to the following for the capabilities of individual board member and the implementation of the diversity policy:

Title	Nationality	Name	Gender	Concurrently serving as the Company's employee	Professional background	Operational judgment ability	Accounting and financial analysis ability	Management administration ability	Crisis management ability	Knowledge of the industry	International market perspective	Leading ability	Decision-making ability
Chairman	The Republic of China	Liao, Shih-Fang	Male	-	Building	V	V	V	V	V	V	V	V
Director	The Republic of China	Wu, Tsung-Hsien	Male	V	Information	V	V	V	V	V	V	V	V
Director	The Republic of China	Lin, Mei-Hui	Female	V	Business administration/ Finance	V	V	V	V	V	V	V	V
Director	The Republic of China	Cheng Yu investment ltd	-	-	-	V	V	V	V	V	V	V	V
Director	The Republic of China	Wang, Chung-Pin	Male	-	Accounting/Business administration	V	V	V	V	V	V	V	V
Independent Director	The Republic of China	Lien, Chi-Jui	Male	-	Education	V	V	V	V	V	V	V	V
Independent Director	The Republic of China	Chen, Fu-Mei	Female	-	Business administration	V	V	V	V	V	V	V	V
Supervisor	The Republic of China	Rui Qi investment ltd	-	-	-	V	V	V	V	V	V	V	V
Supervisor	The Republic of China	Huang, Mu-Chuan	Male	-	Accounting/ Finance	V	V	V	V	V	V	V	V
Supervisor	The Republic of China	Chen, Chin-Han	Male	-	Law	V	V	V	V	V	V	V	V

4.4 Composition, Responsibilities and Operations of the Remuneration Committee :

(1) Professional Qualifications and Independence Analysis of Remuneration Committee Members :

Identity	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria										No. of other listed companies working as Compensation committee member for	Remarks
	Name	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10		
Independent Director	Lien, Chi-Jui	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	Chen, Fu-Mei	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Others	Lu, Fang-Jung	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-

Note 1: Please fill in director, independent director or others as the identity.

Note 2: If the member meets any of the following conditions during the two years before the position and during the term of office, please tick in the spaces below the conditions.

- (1) Not an employee of the company or an affiliate.
- (2) Not a director or supervisor of any company or its affiliated companies. (The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person and his/her spouse, minors, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3).
- (5) Not a director, supervisor, or employee that has 5% or higher ownership interest in the company, being the top-5 corporate shareholders or the institutional shareholders who designate representative as the corporate director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act. (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (6) Not a director, supervisor, or employee of another Company in which the number of directors or more than half of the voting shares is under the control of the same person. (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (7) Not a director, supervisor or employee of other Company or institution in which the chairman, president, or personnel with equivalent position are the same person or have spouse relationship. (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (8) Not a director, supervisor, manager, or shareholder holding more than 5% of the outstanding shares of a specific company or institution in a business or financial relationship with the Company. (the same does not apply, however, in cases where the specific company or institution holds 20% or more and no more than 50% of the total number of issued shares of the company and the person is an independent director of the Company, its parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (9) Not a professional who provides audits or commercial, legal, financial, accounting or consulting services accumulating more than NT\$ 500,000 of remuneration obtained in recent two years to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates. However, this shall not apply to members of the remuneration committee, review committee for public acquisitions or special committee for mergers executing their duties in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

(2) Duties of the Remuneration Committee

The competence of the Committee is to evaluate the Company's policies and systems of remuneration to directors, supervisors and managers, in a professional and optimistic manner, and submit suggestions to the Board of Directors as the reference for decision-making.

(3) Attendance of Members at Remuneration Committee Meetings :

(A) The company's Compensation committee is composed of three people.

(B) Current member's tenure: From June 14, 2018 to June 14, 2021. The Compensation committee held three meetings (A) in the past year, and the member qualifications and attendance are as follows :

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) (B/A)(Note)	Remarks
Convener	Chen, Fu-Mei	3	-	100%	-
Member	Lien, Chi-Jui	3	-	100%	-
Member	Lu, Fang-Jung	3	-	100%	-
Other matters to be recorded:					
1. If the board of directors did not adopt or amend the suggestion of the Compensation committee, please indicate the date and session number of the board meeting, the contents of the motion, the result of the resolution and the company's handling of the suggestion of the Compensation committee (if the remuneration passed by the board is better than the suggestion of the Compensation committee, please state the difference and the reasons): None.					
2. If any member had objections or reservations about the resolution of the Compensation committee and there is a record or a written statement, please indicate the date and session number of the Compensation committee meeting, the contents of the motion, all the opinions of the members and how the opinions were handled: None.					

(C) Important resolutions of the Remuneration Committee in the most recent year

Date	Discussions	Result of resolution	Dealing with the opinion from the Remuneration Committee
Mar 14, 2019	1. Review the plan on the distribution of remuneration to directors/supervisors and employee in 2018. 2. Review the plan on the distribution of performance bonus to the manager of the subsidiaries in 2018.	Approved by all present committee members unanimously	Not applicable
May 14, 2019	1. Review the plan on the distribution of remuneration to directors/supervisors, managers and employee in 2018. 2. Review the annual employment, promotion and salary adjustment of the managers.	Approved by all present committee members unanimously	Not applicable
Dec 19, 2019	1. Review the compensation policies, systems, standards and structures, and performance of directors, supervisors and managers. 2. Propose the annual work plan of the following year. 3. Review the annual bonus of the managers.	Approved by all present committee members unanimously	Not applicable

4.5 Corporate Social Responsibility :

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
1. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operation and establish relevant risk management policies or strategies based on the principle of materiality?	✓		The Company has established the “Corporate Social Responsibility Best-Practice Principles” and actively fulfill its corporate social responsibilities in the course of business operation.	No major difference
2. Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?	✓		The Company has not yet set up any dedicated (concurrent) unit but the Board of Directors and the management team all recognizes its importance and join hands in pursuing the goal.	No major difference
3. Environment issue				No major difference
(1) Has the Company established environmental management policies suitable for the Company’s industrial characteristics?	✓		(1) The Company has established the applicable system subject to the industry characteristics and complied with relevant environmental protection laws without any violation against the environmental protection laws.	
(2) Does the Company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	✓		(2) The Company has executed the classification of waste and promoted paperless process to increase the reuse efficiency of resources.	
(3) Does the Company assess the present and future potential risk and opportunities of climate change in relation to the Company and adopt countermeasures related to climate issues?	✓		(3) The online transaction platform is the main business of the Company and is less affected by the climate change.	
(4) Does the Company gather statistics of the greenhouse gas emission, water consumption and the gross weight of the waste in the past 2 years and establish policies for energy saving, carbon reduction ,	✓		(4) The Company runs the transaction platform online without engaging in any product manufacture. Therefore, there is no process causing environmental pollution nor discharge of waste water or air	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
reduction of greenhouse gas emission and water consumption or other waste management?	✓		pollution. The Company continues to promote policies of energy saving and carbon reduction. The policies for energy saving and carbon reduction are as follows: A. Use department exclusive folders to deliver internal documents, promote paperless processing and reuse of papers to reduce the usage of paper resources. B. Use energy-saving tubes inside the Company, regularly promote living habits to save water and electricity and reduce the impact on the environment in compliance with the government policies. C. Outsource daily cleaning to professional cleaning company and set recycling bin for resource classification. D. Execute regular environment sterilization and cleaning of the fan-coil unit to maintain the clean environment. E. Regularly perform drinking water quality inspection inside the Company.	
4. Social issue				No major difference
(1) Does the Company develop management policies and procedures in accordance with relevant regulations and international human rights conventions?	✓		(1) The Company has established relevant management policies and procedures in accordance with relevant regulations to secure compliance with the principles of labor rights and protect legal rights of the employees.	
(2) Does the Company establish and implement proper employee welfare measures (including the salary, holidays and other welfare) and reflect the corporate business	✓		(2) The Company has established the employee welfare measures and reflected the corporate business performance in the employee remuneration. The implementation is as follows	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
performance or achievements in the employee remuneration?			A. The Company has established the work rules with the employee handbook and regulations, including the remuneration standard, holiday regulations, pension contribution, labor and health insurance payments and approved payment of occupational disaster for the employees of the Company. All of these regulations stated above comply with the relevant regulations of the Labor Standards Act. B. The Company establishes the Employee Welfare Committee which consist of members elected by the employees to handle the employee welfare matters and various activities such as quarterly staff dinner party, irregular movie day, family day, and sports meet. C. The Company establishes a performance evaluation system. The immediate supervisor communicates with the employee personally and formulates the work goals. The employee performance evaluation is conducted twice a year as a reference for adjustment of salary, promotion and remuneration payment. D. The Company establishes the “Employee Remuneration Implementation Rules” and encourages employees to strive for more profit of the Company, stimulate their morale, provides incentives for their endeavor and contribution to the Company according to the Rules, and by doing so, spirit up the Company to keep growing and promote sustainable development.	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(3) Does the Company provide a safe and healthy work environment for its employees? Does the Company regularly provide its employees with safety and health education?	✓		(3) The Company provides a safe and healthy work environment for the employees: A. The Company installs adequate lighting equipment and well-designed emergency evacuation routes and exits, and sets up first-aid kits and AED devices. The elevators and fire-fighting facilities of the building are maintained at least once a year. The Company conducts environmental disinfection every month and implements training on fire equipment operation and maintenance once a year. Employees are arranged to take CPR emergency rescue training once a year to help them obtain their CPR licenses. Both face recognizing and security systems are used to provide a dual management mechanism for entrance control to ensure a secure working environment for all the employees. B. Physical examination services and follow-up actions are provided for the employees every year to ensure their physical and mental health. Professional nurses are arranged to provide healthcare consulting service every month to help employees mitigate potential and existing health problems. The idea of independent health management is introduced to the employees to improve their health status. C. Breastfeeding rooms are established to thoughtfully provide mothers with necessary equipment and space for breastfeeding. D. The Company establishes the	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(4) Has the Company established some effective career development training plan for employees?	✓		“Workplace Bullying Control, Reporting and Punishment Regulations” and specifies the sexual harassment prevention measures and reporting channels in the “Work Rules” to protect the physical and mental health as well as work safety of the employees. (4) The Company provides educational training on a regular basis to cultivate the capability of the employees in their career. The Company also plans training courses for mid-level officers every year to cultivate their judgment and decision-making capability via professional training.	
(5) Does the Company take customer’s health and safety into account and market and label products and services in accordance with the related laws and international practices? Does the Company establish policies and complaint procedures to protect the rights and interests of the consumer?	✓		(5) The Company takes customer’s health and safety into account and markets and labels products and services in accordance with the related laws and international practices. The Company has a policy available for each process to protect the rights and interests of the consumer. A dedicated mailbox and a customer service phone number are provided on the website as communication channels and designated customer service personnel are also available to deal with these matters. Consumers can protect their rights and interests via the complaint procedure. The Company entered into a MOU with the Development of Land Administration, Taipei City Government, in 2019 to assist the government with full prevention of illegal and violating advertisements to secure real-estate transactions.	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(6) Does the Company establish supplier management policies and ask them to follow relevant regulations on the issues of environmental protection, occupational safety and health, or labor rights? What is the implementation status?	✓		(6) The Company establishes supplier review criteria and service assessment procedures. The procedures are fully executed before any transaction begins to ensure the products or serviced of the supplier meet the requirements of the Company and government. Currently, the agreement between the Company and the supplier does not contain the procedure for the circumstances where any policy of the Company is violated. This procedure will be added in time when the agreement with major suppliers is renewed in the hope of jointly fulfilling the corporate social responsibility in the practices.	
5. Does the Company compile the CSR report or other reports that disclose non-financial information of the Company with reference to internationally accepted report preparation guidelines or guides? Does the report mentioned above have been assured, verified or certified by a third party?	✓		The Company discloses the fulfillment of social responsibilities in annual reports and prospectus.	No major difference
6. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies,” please describe any discrepancy between the principles and their implementation: No major difference. 7. Other information material to the understanding of the corporate social responsibility: (1) Corporate social responsibility promotion plan A. Environmental protection: The Company manages environmental protection according to laws and regulations. B. Community involvement, social contribution, social services, social welfare: The Company actively supports the government to relieve the people in stricken areas whenever major natural disaster occurs in Taiwan or any foreign country, calls upon the employees to participate jointly, and organizes donation activities. C. Rights and interests of consumers: Dedicated customer service hotlines are set up on different websites of the Company for dealing with customer complaint issues. D. Human rights: The employees of the Company have equal employment opportunities regardless of their sex, religion, or political choices. The Company provides good work environment to protect employees from discrimination and harassment.				

Scope of Assessment	Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	
E. Safety and health: The Company manages safety and health in accordance with the laws and regulations of the government. F. Other social responsibilities: (A) The Company has created many quality employment opportunities and established an employee welfare committee, implemented a pension system, and organized different employee training courses. We always value harmonious labor-capital relations. (B) The Company promotes energy saving and carbon reduction as well as the recycling of resources. (2) CSR implementation effectiveness: A. In 2019, the Company participated in 4 public welfare activities held by the Police Association of R.O.C., Consumers’ Foundation, Taiwan Spinal Muscular Atrophy Families, and Genesis Social Welfare Foundation, and donated NT\$ 520 thousand and an industrial clothes dryer. B. The Company entered into a MOU with the Department of Land Administration, Taipei City Government. Via the information interfacing function, both parties compulsorily requested the real-estate brokers to provide certification for the advertisements on 591 Property Trading platform to prevent illegal and violating advertisements, create a new order for web real-estate advertisements, and maintain real-estate transaction security. C. The Company collaborates with the Ministry of Interior Affairs to set up a “dedicated social housing platform” on 591 Property Trading to realize the justice of residence and make the matchmaking of renting more easily and quickly. D. Chickpt ensures the work safety and wage for about 600,000 students via wage control and manual review of vacancies.			

4.6 Ethical Corporate Management :

Scope of Assessment	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
1. Enactment of ethical management policy and program (1) Does the Company establish ethical corporate management policies that are adopted by the Board of Directors and explicitly state such policies and the implementation methods in its Articles of Incorporation and external documents? Do the Board of Directors and top management actively implement their commit to implementing the operating policies?	✓		(1) The company has established the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” that have been adopted by the Board of Directors and explicitly stated such policies and the implementation methods in its Articles of Incorporation. The Board of Directors and top management	No major difference

Scope of Assessment	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
			actively implement their commitment to implementing the operating policies. The Board of Directors and the management team fully understand their importance in the creation of a benchmark for good business operation and ethical corporate culture and to march toward the goals collaboratively.	
(2) For the risk of unethical conduct, does the Company establish the assessment mechanism and regularly analyze and assess the business activities within its business scope which are possibly at a higher risk of being involved in an unethical conduct to establish preventive solutions that at least cover the conducts specified in Article 7, Paragraph 2, Subparagraph 1~7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		(2) The Company has taken preventative measures against the conducts under Article 7, Paragraph 2, Subparagraph 1~7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and other business activities within its business scope which are possibly at a higher risk of being involved in an unethical conduct. An effective and strict internal control system has been established and irregular review is conducted to ensure ongoing effectiveness of implementation.	
(3) Whether the Company explicitly defines procedures, guides of conduct, and disciplinary and reporting systems in case of violation in the preventive solutions of unethical conducts, implements accordingly, and carries out review and modification of these solutions?	✓		(3) The Company has explicitly defined relevant requirements in the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct.” The Company has regularly audited and evaluated the implementation status of the preventive solutions, evaluated the compliance status in each relevant business process, and reported to the Board of Directors.	

Scope of Assessment	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
2. Implementation of ethical management				No major difference
(1) Has the Company assessed a record of the trading counterpart’s ethical conduct, and expressly states the clauses of ethical conduct in the contract to be signed with the trading counterpart?	✓		(1) According to the “Procedures for Ethical Management and Guidelines for Conduct,” the Company must establish thorough understanding of the integrity of the counterpart prior to entering into any contract, and include compliance with the ethical corporate management policies into the contract where possible.	
(2) Whether the Company establishes a unit dedicated to promoting ethical corporate management under supervision by the Board of Directors and whether such unit reports the ethical corporate management policies and the preventive solutions of unethical conduct as well as the supervision of the implementation effectiveness to the Board of Directors (at least once a year)?	✓		(2) The Company designates the President’s Office to establish the ethical corporate management policies and preventive solutions as well as supervise their implementation effectiveness. The President’s Office assists the Board of Directors and management in auditing and evaluating the implementation of the preventive solutions, and reports to the Board of Directors once a year about the ethical corporate management policies and the preventive solutions of unethical conduct as well as the supervision of the implementation effectiveness.	
(3) Has the Company defined any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?	✓		(3) The “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” of the Company explicitly require that directors having a conflict of interest in any proposal raised by the Board of Directors may express their opinions and answer inquiries and shall not participate in	

Scope of Assessment	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
(4) Has the Company fulfilled the ethical management by establishing an effective accounting system and internal control system, and had an internal audit unit develop relevant audit plans according to the risk assessment result of unethical conduct and audit the compliance with the preventive solutions of unethical conduct accordingly, or appointed a CPA to do so? (5) Has the Company organized internal/external educational training program for ethical management periodically?	✓		discussion and voting. Where any conflict of interest exists during execution of duties, the employee concerned shall report to the immediate supervisor. (4) The Company has established an effective accounting system and internal control system. The internal audit unit is responsible for auditing the compliance with the above-mentioned systems. (5) The Company organizes external educational training courses every year to improve the understanding and enhance the awareness of ethical management among employees.	
3. Status of the Company's complaint system (1) Has the Company defined a specific complaint and rewarding system, and established convenient reporting channels, and assigned competent dedicated personnel to deal with the situation? (2) Has the Company defined the standard operating procedure for investigation after acceptance of a complaint, the follow-up actions to be taken after the investigation, and relevant	✓	✓	(1) The Company has set up reporting mailboxes and hotlines on the Company's official and internal websites. These websites are available internally and externally. The complaint and rewarding system are specified in the “Procedures for Ethical Management and Guidelines for Conduct.” (2) The Company has defined the standard operating procedure for investigation after acceptance of a complaint and relevant nondisclosure mechanism in the “Procedures	No major difference

Scope of Assessment	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
nondisclosure mechanism? (3) Has the Company adopted any measures to prevent the complainants from being abused after filing complaints?	✓		for Ethical Management and Guidelines for Conduct.” (3) The Company has undertaken in relevant regulations that no one that files a complaint will be treated inappropriately, and the designated unit will deal with the matter in accordance with relevant regulations.	
4. Enhancing Information Disclosure Has the Company has disclosed the Ethical Management Best Practice Principles and the effect of implementation thereof on its website and Market Observation Post System?	✓		The Company has built a website maintained by designated personnel to disclose relevant information regularly.	No major difference
5. If the Company has established ethical management best practice principles based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” please describe any discrepancy between the principles and their implementation: None.				
6. Additional important information that is helpful to understand the operation of the Company’s ethical management: The Company will at all times pay attention to the development of relevant regulations on ethical corporate management and, based on which, review and improve the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” of the Company to improve the effectiveness of ethical corporate management.				

4.7 Corporate Governance Guidelines and Regulations :

The Company has its Corporate Governance Best Practice Principles which can be checked on MOPS or the Company's website by investors.

4.8 Other Important Information Regarding Corporate Governance:

Please refer to MOPS: <http://mops.twse.com.tw> (corporate governance)

Or refer to the company’s website: <https://www.addcn.com.tw>

4.9 Internal Control Systems :

Please refer to page 35 of the Chinese annual report.

4.10 Major Resolutions of Shareholders' Meeting and Board Meetings :

(1) Important resolutions of the shareholders' meeting in 2019 and as of the date of publication of the annual report :

Date	Proposal	Implementation status
2019.06.20 Annual Meeting of Shareholders	1. 2018 Business Report and Financial Statements	Implemented as resolved.
	2. 2018 Earnings Appropriation	Implemented as resolved with July 16, 2019 as the record date. Payment was completed on August 09, 2019 (cash dividend NT\$ 10.6/share).
	3. Cash Distribution of Capital Surplus	Implemented as resolved with July 16, 2019 as the record date. Payment was completed on August 09, 2019 (cash dividend NT\$ 1.9/share).
	4. Amendment to the "Articles of Incorporation" of the Company	Implemented as resolved.
	5. Amendment to the amendments to the Company's "Operating Procedure for Acquisition or Disposition of Assets"	Implemented as resolved.
	6. Amendment to the "Operational Procedures for Loaning of Company Funds" of the Company	Implemented as resolved.
	7. Amendment to the "Operational Procedures for Endorsements and Guarantees" of the Company	Implemented as resolved.

(2) Important resolutions of the board meetings in 2019 and as of the date of publication of the annual report :

Date	Description of Proposal
March 14, 2019	1. Review the plan on the distribution of remuneration to directors/supervisors and employees in 2018.
	2. 2018 Business Report and Financial Statements.
	3. 2018 Earnings Appropriation.
	4. Cash Distribution of Capital Surplus.
	5. Change of the CPA responsible for auditing the Company's financial statements.
	6. Commission KPMG Taiwan to conduct audit and certification of 2019 financial statements and profit-seeking enterprise income tax as well as relevant fees.
	7. "Effectiveness Evaluation of the Company's Internal Control System" and "Statement on Internal Control System" in 2018.
	8. Planned amendment to the Company's "Operating Procedure for Acquisition or Disposition of Assets."
	9. Planned amendment to the "Articles of Incorporation" of the Company.
	10. Planned amendment to the "Operational Procedures for Loaning of Company Funds" of the Company.
	11. Planned amendment to the "Operational Procedures for Endorsements and Guarantees" of the Company.

Date	Description of Proposal
	12. Planned augment of the “Standard Operating Procedure for Handling of Requests from Directors” of the Company.
	13. Review the plan on the distribution of performance bonus to the managerial officers of the subsidiaries in 2018.
	14. Establish matters related to the “Period of Public Announcement on Acceptance of Shareholders’ Proposals” for the 2019 annual shareholders’ meeting.
	15. Convene 2019 annual shareholders’ meeting.
May 14, 2019	1. Review the plan on the distribution of remuneration to directors/supervisors and bonuses to managerial officers and employees in 2018.
	2. Review the annual appointment and promotion of managerial officers as well as salary adjustment for them.
	3. Planned cancellation of new restricted shares to employees.
August 13, 2019	1. Planned amendment to the "Ethical Corporate Management Best Practice Principles" of the Company.
	2. Investment in “JC Capital Fund SPC.”
November 13, 2019	1. Planned amendment to the Company's “Internal Control System” of the Company.
	2. Planned amendment to the Company's “Internal Audit System Implementation Rules”.
	3. Planned amendment to the “Corporate Governance Best Practice Principles” of the Company.
	4. 2019 Audit Plan of the Company.
	5. Planned capital injection to ADDCN TECHNOLOGY (SAMOA) CO., LTD.
December 19, 2019	1. 2020 Business Plan of the Company.
	2. Renewal of the liability insurance for the directors and supervisors of the Company.
	3. Planned augment of the “Regulations for Self-evaluation for the Board of Directors and Peer Review” of the Company.
	4. Planned augment of the “Regulations Governing the Board of Directors’ Performance Evaluation” of the Company.
	5. Annual bonus for the managerial officers of the Company.
March 12, 2020	1. 2019 Business Report and Financial Statements.
	2. 2019 Earnings Appropriation.
	3. Cash Distribution of Capital Surplus.
	4. Commission KPMG Taiwan to conduct audit and certification of 2020 financial statements and profit-seeking enterprise income tax as well as relevant fees.
	5. “Effectiveness Evaluation of the Company's Internal Control System” and “Statement on Internal Control System” in 2019.
	6. Amendment to the “Articles of Incorporation” of the Company.
	7. Amendment to the “Rules of Procedure for Shareholder Meetings” of the Company.
	8. Amendment to the “Election Procedure of the Directors and Supervisors” of the Company.
	9. Amendment to the “Procedures for Ethical Management and Guidelines for Conduct” of the Company.
	10. Amendments to the “Rules of Procedure for Shareholder Meetings” of the

Date	Description of Proposal
	Company.
	11. Amendment to the “Organization Rules of the Remuneration Committee” of the Company.
	12. Amendment to the “Managerial Officer Remuneration Regulations” of the Company.
	13. Amendment to the “Internal Control System” of the Company.
	14. Amendment to the “Internal Audit System Implementation Rules” of the Company.
	15. Review the plan on the distribution of remuneration to directors/supervisors and employees in 2019.
	16. Review the plan on the distribution of performance bonus to the managerial officers of the subsidiaries in 2019.
	17. Issuance of new restricted shares to employees.
	18. Establish matters related to the “Period of Public Announcement on Acceptance of Shareholders’ Proposals” for the 2020 annual shareholders’ meeting.
	19. Convene 2020 annual shareholders’ meeting.

4.11 If the directors or supervisors have different opinions about important resolutions adopted by the board in the latest year and as of the date of publication of the annual report, and there are records or written statements: None.

4.12 Resignation of Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance Officer, and Chief R&D Officer in the most recent year until the publication date of this annual report: None.

5. Audit Fee :

Unit: NT\$ thousand

Accounting firm	CPA name	Audit fee	Non-audit fee					Audit period	Remarks
			System design	Business registration	HR	Others	Sub-total		
KPMG	Chen, Cheng-Chien	3,730	-	-	-	700	700	01/01/2019 12/31/2019	Others: 1. Transfer pricing reporting service 2. Translation of 2019 comprehensive and individual statements 3. Employee remuneration checklist reexamination service 4. Business tax consultation project
	Huang, Yung-Hua								

6. Replacement of CPA : Not applicable.

7. The Employment of the Company’s Chairman, General Manager, Financial or Accounting Manager with the Auditing CPA Firm or Its Affiliated Businesses in the ast Year: None.

8. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders :

Unit: share

Title	Name	2019		2020 as of April 20	
		Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease)	Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease)
Chairman	Liao, Shih-Fang	20,000	-	308,000	-
Director and General Manager and R&D Supervisor	Wu, Tsung-Hsien	(46,000)	-	23,000	-
Director and Associate of Management Division	Lin, Mei-Hui	6,000	-	-	-
Director	Cheng Yu investment ltd	-	(10,000)	-	-
Director	Wang, Chung-Ping	-	-	-	-
Independent Director	Lien, Chi-Jui	-	-	-	-
Independent Director	Chen, Fu-Mei	-	-	-	-
Supervisor	Rui Qi investment ltd	-	-	-	-
Supervisor	Chen, Chin-Han	-	-	-	-
Supervisor	Huang, Mu-Chuan	-	-	-	-
Deputy GM	Qiu, Jian-Ming	10,000	-	6,000	-
Manager, Financial Division	Chang, Chiao-Ni	2,000	-	-	-
Deputy Manager, Audit Division	Xu, Yun-Qian	900	-	-	-
Director, IT Division	You, Shun-Yuan	300	-	2,000	-
Deputy Manager, Public Relationship	Yu, Chu-Yu	600	-	-	-

9. Relationship among the Top Ten Shareholders :

Apr 20, 2020: Unit: share

Name	Own shareholding		Shareholdings of the spouse and minor children		Shareholding in other people's names		Name and relationship of top 10 shareholder who has the interested-party, a spouse or relative within the second degree of kinship		Remarks
	Share holding	Shareholding %	Share holding	Shareholding %	Share holding	Shareholding %	Name	Relationship	
Sheng Cheng investment ltd Representative:Liao, Shih-Fang	3,888	9.13%	-	-	-	-	Liao, Shih-Fang	Responsible person of the corporation	-
Qian Yi investment ltd Representative:Liao, Shih-Fang	3,850	9.04%	-	-	-	-	Liao, Shih-Fang	Responsible person of the corporation	-
Long Ying investment ltd Representative:Wang, Zhen-Yu	3,488	8.19%	-	-	-	-	-	-	-

Name	Own shareholding		Shareholdings of the spouse and minor children		Shareholding in other people's names		Name and relationship of top 10 shareholder who has the interested-party, a spouse or relative within the second degree of kinship		Remarks
	Share holding	Shareholding %	Share holding	Shareholding %	Share holding	Shareholding %	Name	Relationship	
Liao, Shih-Fang	3,437	8.07%	1,364	3.20%	7,738	18.17%	Lin, Shu-Hui Sheng Cheng investment ltd Qian Yi investment	Spouse Responsible person of the corporation Responsible person of the corporation	-
Stichting APG ltd	2,939	6.90%	-	-	-	-	-	-	-
Virtus KAR Emerging Markets Small-Cap Fund	2,497	5.87%	-	-	-	-	-	-	-
Cheng Yu investment ltd Representative: Lin, Hung-Chun	2,254	5.29%	-	-	-	-	-	-	-
Swedban Robur global Fund	1,924	4.52%	-	-	-	-	-	-	-
Fidelity Series International Small Cap Fund	1,711	4.02%	-	-	-	-	-	-	-
Lin, Shu-Hui	1,364	3.20%	3,437	8.07%	-	-	Liao, Shih-Fang	Spouse	-

10. Ownership of Shares in Affiliated Enterprises :

Dec 31, 2019 Unit: thousand shares; %

Re-invested businesses	The Company's investment		Investment by directors, supervisors, managers or directly or indirectly controlled businesses		Total investment	
	Shareholding	Shareholding %	Shareholding	Shareholding %	Shareholding	Shareholding %
ADDCN Technology (Samoa) Co., Ltd	29,760	100%	-	-	29,760	100%
addcn Technology (Shenzhen) Co., Ltd	-	100%	-	-	-	100%
ADDcn Technology (HK)	6,500	70%	1,486	16%	7,986	86%
Digitm Marketing Co., Ltd	1,199	33.29%	-	-	1,199	33.29%

IV. Capital Overview

1. Capital and Shares :

1.1 Source of Capital :

(1) Issued Shares :

Unit: thousand shares; NT\$ thousand

Date	Par Value (NT\$)	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
Jan. 2007	10	1,500	15,000	1,500	15,000	Establishment Capital	-	-
Sep. 2008	10	3,860	38,600	3,860	38,600	Capital increase	-	-
Nov. 2009	10	8,000	80,000	8,000	80,000	Capital increase	-	-
Sep. 2010	14	30,000	300,000	14,840	148,400	Capital increase	-	-
Jun. 2012	10	30,000	300,000	17,576	175,760	Capital reserve transferred to increase	-	-
Jul. 2012	10	50,000	500,000	28,000	280,000	Earnings transferred to increase	-	-
Jan. 2014	240	50,000	500,000	31,500	315,000	Capital increase	-	-
Aug. 2015	10	50,000	500,000	40,950	409,500	Earnings transferred to increase	-	-
Oct. 2016	10	50,000	500,000	42,263	422,630	Capital reserve transferred to increase	-	-
Nov. 2016	10	50,000	500,000	42,583	425,830	New restricted employee shares.	-	-
Sep. 2017	10	50,000	500,000	42,581	425,805	Retrieved New restricted employee shares.	-	-
Dec. 2018	10	50,000	500,000	42,579	425,790	Retrieved New restricted employee shares.	-	-
Jun. 2019	10	50,000	500,000	42,576	425,755	Retrieved New restricted employee shares.	-	-

(2)Type of Stock :

Unit: share

Share Type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total	
Common Stock	42,575,000	7,424,500	50,000,000	Outstanding shares are TPEx listed.

1.2 Status of Shareholders :

Apr 20, 2020 Unit: person; share

Quantity \ Status	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Foreigners	Total
Number	0	0	24	1,462	81	1,567
Shareholding	0	0	16,448,770	11,267,128	14,859,602	42,575,500
%	0.00%	0.00%	38.63%	26.46%	34.90%	100.00%

1.3 Shareholding Distribution Status :

Apr 20, 2020 Unit: person; share

Shareholding Tiers	No., of Shareholders	Shareholding	%
1 to 999	574	78,337	0.18%
1,000 to 5,000	810	1,377,173	3.24%
5,001 to 10,000	74	533,493	1.25%
10,001 to 15,000	22	270,674	0.64%
15,001 to 20,000	11	195,659	0.46%
20,001 to 30,000	16	374,858	0.88%
30,001 to 40,000	8	284,697	0.67%
40,001 to 50,000	3	139,410	0.33%
50,001 to 100,000	13	899,841	2.11%
100,001 to 200,000	9	1,378,915	3.24%
200,001 to 400,000	10	3,451,871	8.11%
400,001 to 600,000	2	1,042,940	2.45%
600,001 to 800,000	1	691,435	1.62%
800,001 to 1,000,000	0	0	0.00%
1,000,001 or more	14	31,856,197	74.82%
合計	1,567	42,575,500	100.00%

1.4 List of Major Shareholders :

Apr 20, 2020 Unit: share; %

Name	Shares	Shareholding	%
Sheng Cheng investment ltd Representative:Liao, Shih-Fang		3,888	9.13%
Qian Yi investment ltd Representative:Liao, Shih-Fang		3,850	9.04%
Long Ying investment ltd Representative:Wang, Zhen-Yu		3,488	8.19%
Liao, Shih-Fang		3,437	8.07%
Stichting APG ltd		2,939	6.90%
Virtus KAR Emerging Markets Small-Cap Fund		2,497	5.87%
Cheng Yu investment ltd Representative:Lin, Hung-Chun		2,254	5.29%
Swedban Robur global Fund		1,924	4.52%
Fidelity Series International Small Cap Fund		1,711	4.02%
Lin, Shu-Hui		1,364	3.20%

1.5 Market Price, Net Worth, Earnings, and Dividends per Share :

Unit: NT\$ thousand; thousand shares

Item		Year	2018	2019	as of March 31, 2020
Market price per share	Highest		298.0	286.0	244.5
	Lowest		212.0	239.5	172.0
	Average		252.4	263.8	220.0
Net worth per share	Before distribution		43.07	41.13	-
	After distribution		27.48	(Note1)	-
Earnings per share	Weighted average number of shares		42,417	42,529	-
	Earnings per share (loss)		\$14.04	\$14.14	-
Dividend per share	Cash dividend		12.5	(Note1)	-
	Bonus shares	Stock dividend from retained earnings	-	-	-
		Stock dividend from capital reserve	-	-	-
	Accumulated undistributed dividends		-	-	-
Investment return analysis	Price / Earnings ratio (Note 2)		17.98	18.66	-
	Price / Dividend ratio (Note 3)		20.19	(Note1)	-
	Cash dividend yield rate (Note 4)		4.95%	(Note1)	-

Note 1: The 2019 annual earnings distribution has yet to be approved by the shareholders' meeting.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

1.6 Dividend Policy and Implementation Status :

(1) Dividend Policy :

According to the Company's Articles of Incorporation, if the Company has a profit at the year's final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital. Special reserves may be set aside depending on the Company's operational needs pursuant to the laws and regulations. The remaining profits deducting the dividend distribution amount with the undistributed earnings at beginning of period (if any) shall be proposed for a distribution by the board of directors. The proposal shall then be submitted to the shareholders meeting for a resolution for the distribution.

The Company defined the allocation of dividend based on operation status, demands for funds, capital expenses and budgets, changes to internal and external environment, and the shareholder's equity. If no special circumstances must be considered, the allocation proportion should be more than 50% of distributable earnings of the current year. The dividend will be distributed in the form of stock dividends or cash dividends based on the Company's demand for funds in the future and the level of dilution of the capital stock. In principle the cash dividends shall not be lower than 10% of the total amount of the dividends. Only that the dividend type and percentage to be distributed are based on actual profits of the year and the status of the funds. The final result is subject to the resolution of the shareholders meeting.

(2) Proposed Distribution of Dividend :

The company's proposed 2019 annual earnings distribution by the Board of Directors on March 12, 2020 is as follows:

	Amount (NT\$ thousand)	Divined per share (NT\$)
Legal reserve	60,116	-
Special reserve	23,498	-
Cash dividend	519,421	12.2
Stock dividend	-	-

The above-mentioned Board of Directors' resolutions are to distribute cash dividends by capital reserve of NT\$ 25,545 thousand and NT\$ 0.6 per share was subject to the resolution of the Shareholders' Meeting.

1.7 Impact of the Proposed Bonus Shares on the Company's Operating Performance and Earnings per Share by the Shareholders' Meeting: Not applicable.

1.8 Bonuses of Employees, Directors and Supervisors :

(1) The percentage or scope of the bonuses of Employees, Directors and Supervisors stipulated in the Articles of Incorporation:

If there is a profit for the year, the Company shall allocate not less than 1% of it for the employee bonus and not more than 3% for the directors and supervisors' bonus. However, if there is still a cumulative loss, an amount to make up for the loss should be retained in advance.

Qualification requirements of employees, including the employees of subsidiaries meeting certain specific requirements, entitled to receive shares or cash in accordance with the

preceding provisions.

- (2) The basis for the estimation of the amount of bonus of employees, directors and supervisors in the current period, and the accounting treatment if there is a difference between the actual employee bonus paid in shares or cash and the estimated amount:

The amount of remuneration for employees, directors and supervisors in the current period is estimated appropriately in accordance with the Articles of Incorporation and past experience of the Company before deducting the remuneration for employees, directors and supervisors from the income from continuing operations before income tax of the current year.

- (3) Bonus distribution as passed by the board meeting:

- (A) Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration :

Unit: NT\$ thousand

Item \ Status	Remuneration of employees			Remuneration of directors and supervisors
	Cash	Stock	Total	
Annual recognized amount of estimated expenses (A)	51,800	0	51,800	7,400
Proposed allocation of the Board of Directors (B)	51,800	0	51,800	7,400
Discrepancy (B)-(A)	0	0	0	0

- (B) If there is any discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, reasons therefor, and how it is treated shall be disclosed.: There is no discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, so not applicable .

- (C) Employee bonus paid in shares as a percentage of the total amount of the current net profit after tax and the total employee bonus of the parent company only or each of companies' financial statements: The board of directors pays in cash through the allocation of remuneration, so it is not applicable.

- (4) If there is a difference between the actual distribution of bonus of employees, directors and supervisors (including the number of shares, the amount and the share price) in the previous year and the provision for the bonus, please describe the difference, the reason and the accounting treatment:

Unit: NT\$ thousand

Item	Shareholders' Meeting resolution	Actual allocation	Discrepancy
2018 Employee remuneration	54,860	54,860	-
2018 Directors and Supervisors' remuneration	7,323	7,323	-

1.9 Buyback of Treasury Stock : None.

2. Bonds : None.

3. Preferred Shares : None.

4. Global Depository Receipts : None.
5. Issuance of Employee Stock Options : None.
6. Issuance of New Restricted Employee Shares :
- 6.1 Issuance of New Restricted Employee Shares :

May 11, 2020

New restricted employee shares type	First (period) New restricted employee shares
Date of registration	Sep. 6, 2016
Issued date	Oct. 14, 2016
Issued New restricted employee shares	320,000
Issued price	Gratuitously distributed
Issued New restricted employee shares total issued shares ratio	0.78%
Vesting conditions of New restricted employee shares	Employees are still in service at the end of the following period of time from the date they are allocated New restricted employee shares, and their performance appraisal has reached the level of excellence (including) in one year before the expiration of the following periods. They may be entitled according to the following schedule: Service expires 1 year from the date of grant:40% Service expires 2 years from the date of grant:40% Service expires 3 years from the date of grant:20%
Restrictions of New restricted employee shares	1.After an employee has acquired new shares, he may not sell, mortgage, transfer, gift, pledge or otherwise dispose of the New restricted employee shares, except for inheritance, before reaching the acquired conditions. 2.The attendance, proposals, statements, voting, resolution and other matters related to shareholders' equity of the shareholders' meeting are entrusted to the trust institution to exercise them on its behalf. 3.Except for the restrictions imposed by the trust agreement in the preceding paragraph, the New restricted employee shares allocated by employees in accordance with this Measure shall not be restricted until they have reached the acquired conditions, the other rights, including but not limited to: the rights to receive dividends, bonuses, the rights to allocate capital reserve , the rights to subscribe and vote for cash capital increase, etc., which are the same as the common shares issued by the Company, and shall not be restricted. Employees are entitled to the cash dividends and stock dividends issued by the Company, and the cash dividends and stock dividends issued by the Company are deemed to have met the required conditions and are not subject to trust institution. 4.Except for the restrictions mentioned above, the New restricted employee shares which the employee is allotted are the same as the common shares which the Company has already issued before the acquired conditions are met.
Custody status of New restricted employee shares	Declared trust management
Measures when vesting conditions are not met after employees are allocated or subscribed for new shares	when vesting conditions are not met after employees are allocated or subscribed for New restricted employee shares, except for special circumstances, the Company will retrieve and revoke without compensation.
Number of New restricted employee shares retrieved or purchased	7,500
Released number of New restricted employee shares	312,500
Unreleased number of New restricted	-

New restricted employee shares type	First (period) New restricted employee shares
employee shares	
Unreleased number of New restricted employee shares to total issued share ratio (%)	-
Impact on shareholders' equity	Attracting and retaining the technological and professional talents needed by the company, and improving the sense of unity and belonging of employees to the Company, and jointly creating the interests of the Company and shareholders, enhancing the equity of shareholders.

6.2 The names and acquisitions of the managers and the top ten employees who acquired the New restricted employee shares :

May 11, 2020

	Title	Name	Acquired stock subscription shares	Acquired stock subscription shares to total issued shares ratio	Implemented				Not implemented
					Stock subscription shares	Stock subscription price	Stock subscription amount	Stock subscription shares to total issued shares ratio	
Manager	General Manager	Wu, Tsung-Hsien	219,000	0.51%	219,000	-	-	0.51%	-
	Deputy GM	Qiu, Jian-Ming							
	Associate, Operating Division	Lin, Mei-Hui							
	Manager, Financial Division	Chang, Chiao-Ni							
	Deputy Manager, Audit Division	Xu, Yun-Qian							
	Deputy Manager, Public Relationship	Yu, Chu-Yu							
	Director, IT Division	You, Shun-Yuan							
Employee	Accounting Assistant Manager	Chen, ○-Hui	37,500	0.09%	37,500	-	-	0.09%	-
	Chief Editor	Zhou, ○-Cun							
	Deputy Editor	Zhong, ○-Xuan							
	Director, Marketing Division	You, ○-Ying							
	Programing Senior Team Leader	Yu, ○-Ren							
	Programing Team Leader	Hua, ○-Gang							
	Director, Operating Division	Lin, ○-Ji							
	Customer Service Deputy Director	Zeng, ○-Hua							
	Programing Team Deputy Leader	Li, ○- Hsien							
	Deputy Manager, Legal	Hsieh, ○-Han							

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

8. Financing Plans and Implementation : None.

V. Operational Highlights

1. Business Activities :

1.1 Business Scope :

(1) Main areas of business operations :

Established in 2007, the Company mainly deals in online trading platforms. The main entrance websites are:

- (A) 8591 (Virtual Treasure Trading): The largest online virtual treasure trading platform in Taiwan. C2C business model is adopted to provide a safe, fast and rich treasure trading platform for online game players.
- (B) 591 (Property Trading): Providing property leasing, property trading and new project advertising and inquiry services for Taiwan's leading property and home service platform.
- (C) 8891 (Cars Trading): Providing information publishing and inquiry for the sale of preowned cars, preowned car dealers online shop services, new car information inquiry services.
- (D) 518 (Human Resource): Committed to providing a fast, accurate and simple human resources search platform, so that business owners can easily and quickly find suitable talents, and job seekers can quickly find suitable jobs.
- (E) 100 (Interior Design): Mainly matching decorators and consumers, to provide high-quality design works for consumers' reference.
- (F) Marry (Wedding Service): It is an exclusive channel for matching photographers, wedding planners and newlyweds, so that newlyweds can solve wedding affairs more easily and efficiently.
- (G) Chickpt (Part-Time Human Resource): The largest part-time job APP in Taiwan is designed for matching college students and employers for part-time jobs. It is dedicated to creating a fast and safe job matching platform.
- (H) Tasker Outsourcing: The professional outsourcing platform is designed to matchmake the owner and talent. It dedicates itself to solving all the outsourcing demands quickly and effectively and allows talents to receive a good case.
- (I) The Company also launched 8591, 591, 8891, 518, 100 (Interior Design) and Marry (Wedding Service) mobile version in Apple Store and 8591, 591, 8891, 518, 100 (Interior Design) and Marry (Wedding Service) mobile version in Google Play to enhance user convenience and provide more instant information.

(2)Revenue distribution :

Unit: NT\$ thousand

Product Type	2018		2019	
	Revenue (Note)	%	Revenue (Note)	%
Online merchandise sales	64,605	4.37	11,192	0.76
Internet service income	1,056,875	71.47	1,125,981	76.70
Internet platform commission income	345,150	23.34	330,858	22.54
Others	12,114	0.82	-	-
Total	1,478,744	100.00	1,468,031	100.00

(3)Main products :

- (A) 8591 (Virtual Treasure Trading) (<https://www.8591.com.tw>) mainly through the Internet to provide virtual treasure trading services, is one of Taiwan's largest virtual treasure trading website.
- (B) 591 (Property Trading) (<https://www.591.com.tw>) mainly through the Internet to provide property leasing, property trading, decoration manufacturers advertising and inquiry services, is a leading property and home service platform in Taiwan.
- (C) 8891 (Cars Trading)(<https://www.8891.com.tw>) mainly through the Internet to provide information release and query of the trading of preowned cars, preowned car dealers online shop services, new car information inquiry.
- (D) 518 (Human Resource) (<https://www.518.com.tw>) mainly through the Internet to provide a human resource research platform for enterprises to publish job information and job seekers to place resumes.
- (E) 100 (Interior Design) (<https://www.100.com.tw>) provides many excellent interior design companies' representative design case pictures, so that owners can easily find interior design inspiration.
- (F) Marry (Wedding Service) (<https://www.marry.com.tw>) is a one-stop wedding service platform for wedding-related services such as wedding photography, records and planners.
- (G) Chickpt (Part-Time Human Resource) (<https://www.chickpt.com.tw>) is the largest part-time job APP in Taiwan designed for matching college students and employers for part-time jobs. It is dedicated to creating a fast and safe job matching platform.
- (H) Tasker Outsourcing (<https://www.tasker.com.tw>) is the professional outsourcing platform allows the owner to post cases that need outsourced resources and the talent to receive cases via the Internet.

(4)New products development :

With the growing number of users and transactions/publications, each of platforms has different functional requirements in terms of cash flow, user experience and information needs. Therefore, new services development planned for future will be developed on existing infrastructure to provide better services for users of various platforms.

1.2 Industry Overview :

Please refer to page 47 of the Chinese annual report for the current situation and development of the industry, the relationship between the upstream and downstream industries, the development trends of products and the competition situation.

1.3 Research and Development :

(1) Please refer to page 53 of the Chinese annual report for the technical level of the business, research and development personnel and their education(experience), and the successful technology or products developed in the last five years.

(2) R&D Expenses in the past five years:

Unit: NT\$ thousand ; %

Item \ Year	2015	2016	2017	2018	2019
R&D Expense	30,609	38,852	64,482	54,862	45,654
Net revenue income	1,356,019	1,240,814	1,371,193	1,478,744	1,468,031
R&D expense to net revenue ratio	2.26%	3.13%	4.70%	3.71%	3.11%

1.4 Long-term and Short-term Development :

(1) Short-term Development :

- (A) Increasing the market share of 591(HK): Continuing to operate the Hong Kong market and make the property leasing market an absolute leader.
- (B) Advertising market: Developing online advertising market for new cars and housing market.
- (C) Charging plan: The current free-of-charge platform will develop toward a new charging platform that can make contribution gradually.

(2) Long-term Development :

- (A) The development of the new business system: by virtue of the company's operating advantages and accumulated core competence in the Internet platforms, sustainable development of food, clothing, housing, transportation and entertainment related platforms.
- (B) Expansion of operating territories: We continue to strengthen the market in Hong Kong and start the development of global layout of the Company. We intend to find our feet in Hong Kong first, and to progressively expand overseas markets based on the experience of developing the Hong Kong market.

2. Market and Sales Overview :

2.1 Market Analysis :

(1)Service Region :

The Company is engaged in online trading platforms. In addition to serve domestic consumers, we have established 591 property trading platforms and 8591 virtual treasure trading platforms in Hong Kong to provide more online trading services for Hong Kong users.

(2)Market Share (%) of Major Product Categories in the Last Two Years :

Unit: NT\$100 millions;%

Item	2018	2019
ADDcn Technology revenue	14.79	14.68
Information services revenue	487	936
ADDcn Technology market share	3.04%	1.57%

Date source: Collated from Department of Statistics of Ministry of Economic Affairs and MOPS.

The Company focuses on the online transaction platform service in the information service industry. According to Department of Statistics of the Ministry of Economic Affairs, the industry's sales in 2018 and 2019 were about NT\$ 84.1 billion and NT\$ 93.6 billion, respectively. In 2018 and 2019, the consolidated revenue of the Company was NT\$ 1.479 billion and NT\$ 1.468 billion with a market share of 1.76% and 1.57%, respectively.

(3)Market Analysis of Major Product Categories :

Taiwan's game industry is classified into PC and mobile games. Currently, the market has been matured, and there is a fierce competition between manufacturers. Therefore, differentiation must be the important market strategy of the games that will be introduced to the market. Mobile games industry has grown since 2014. According to the estimation of Newzoo, the global game market in 2019 was about USD 152.1 billion, and mobile games have accounted for 45% of this figure. As more and more people entered the mobile game industry, the game transaction platform must also keep up with the trend of market transfer.

Housing is an inelastic demand of the general public. In the most recent five years, the average transaction volume of new and second-hand houses was about 400 thousand, showing a stable demand in the real estate market. About half of the population in Taiwan has the need to rent a house and, thus, the rental housing market is quite active. With the rapid growth of the Internet usage rate in recent years, the users on both supply and demand sides of housing have changed their habit from off-line to on-line application. The postings on the Internet are not only effective but also have a wider coverage. Everyone can browse houses in any region of Taiwan via the Internet. There was even a tenant in Kaohsiung who fancied a house on the Internet. Then he traveled to Taipei by high-speed rail just to see the house. The supply of the real-estate platform will grow for potential demand.

The rapid development of the automobile applications and upgrading safety equipment of new vehicles in recent years have driven the growth of the new car transaction market. The transaction volume of new cars had grown from 370 thousand in 2012 to 440 thousand in 2017. The second-hand car market was affected by the prosperous new car market. The transaction volume of second-hand cars had declined for four consecutive years, but the sign of reversal showed in 2019 when the transaction volume grew by more than 2.6% compared to the previous year. In addition to the second-car transaction service, 8891 Car

Trading has become a platform that provides new car information in recent years. It attracts users with its content and is expected to attract more customers for the platform's matchmaking service in the future.

The online human resources market has been operated for 20 years and almost become matured. Over 80% of the candidates use online platform to send resumes, which has become the necessary approach to entering the job market. The popularity of smart phones and mobile Internet in recent years has extended the competitive platform market to the mobile device market. 518 Human Resource has the capability of developing its own app. By catching up with the trend of touch-screen generation and grasping the advantages of 20% of small and medium enterprises' information, 518 Human Resource is expected to stretch the job market to the mobile end rapidly in the future.

(4)Competitive niches :

(A) The management team has rich experience. :

The company's operating team has more than 10 years of experience in network platform development and operation, with a complete technical team and flexible marketing team. The company's management team is sensitive to the market and is good at differentiating marketing and product design with creativity. Its vertical website has a place in Taiwan's Internet industry.

(B) Website has high brand awareness/huge membership advantages :

The total number of members of ADDcn websites is more than 10 million, which has laid the competitive advantage of the Company described as follows:

①8591(Virtual Treasure Trading): Accumulating the advantages of the vast number of players database to form the competitive advantage of the Company. In addition, we strengthened comprehensive website security system, such as membership authentication, membership login IP judgment system, to ensure the equity of members and transaction security.

②591(Property Trading): Through the huge database of homeowners, tenants and buyers to form the company's competitive advantage. Increase the integrity of peripheral products, cooperate with tenants, such as moving, second-hand furniture; cooperate with buyers, such as house decoration, building projects.

③8891(Cars Trading): In the preowned car trading website with high integrity requirements, the Company advocates the integrity of car sales and website operation convenience to strengthen the Company's competitive advantage.

④518 (Human Resource): With fast, accurate and simple human search service as the core, and with a large number of SME owners and job seekers membership database, coupled with the mastery of mobile research and development technology to form the Company's competitive advantage.

(5)Favorable and Unfavorable Factors in the Long Term :

【Favorable Factors】

(A) We accumulated over 10 million members of the brand loyalty by unique multi-brand website business model, and continue to invest in the development of new livelihood website, create more new trading markets, in order to enhance the sustainable development of matchmaking transaction markets.

- (B) The Internet market in Southeast Asia's is growing fast and local Internet services are in course of starting. There is a lack of professional platforms such as virtual treasure trading, rental and automobile website at present, which is an opportunity for us to layout Southeast Asia.
- (C) With the rapid growth of mobile Internet penetration, we have continuously launched mobile version web pages and APPs on various platforms in recent years. With the convenience of any time mobile Internet access, we can further improve the traffic and customer stickiness of the websites.
- (D) Cooperating with banks to provide a variety of cash flow services, providing consumers and website operators with an excellent and perfect payment mechanism.

【Unfavorable Factors】

- (A) Smart phones have become popular and mobile APP has been on the market in recent years, changing the mode of people's communication and Internet access. If we cannot adjust to the current situation, the advantages of information monopoly of the future website platform will be divided in succession.
- (B) The domestic Internet market is limited, and the lack of Internet talents makes it difficult to select and cultivate talents.
- (C) The Company accumulates a large amount of member information. If the information security situation occurs, the Company may face the risk and loss of operation.

【Countermeasures】

In terms of information security countermeasures, the Company has adopted a large number of control and prevention measures to prevent hackers from intruding the database and Internet information security protection mechanism, including strict security management measures, password management measures, data management measures. It has also introduced a personal capital management system and established a rigorous personal capital management manual and education system. It was certified by BSI BS 10012:2009 Personnel Information Management System (PIMS) international standard in May 2016, which guarantees our members on international level.

In terms of operational strategies, the Company continues to take "food, clothing, housing, transportation education and entertainment" as its blueprint for development. Intelligent APP applications have been developed in succession to try to open up the mobile Internet market. As people spend different time and using different smart phone interfaces on browsing Internet, we are launching exclusive browsing web sites that are compatible with mobile devices. We believed that only those who are at the forefront of the trend can lay a solid market foundation. With the continuous emphasis on seamless interaction with consumers, we can deepen our customer relationship and further highlight our differences in competition and comprehensive growth potential.

In terms of global strategy, the international vertical website companies in recent years have been quite aggressive and successful in expanding the international market. However, the new network market needs to cooperate with local network companies in order to obtain good development support and achieve a comprehensive effect of 1 plus 1 over 2. In the future, we will first contact the more familiar Southeast Asian market, as the beginning of the company's development of global layout. We hope to gain a firm

foothold in the Taiwan market, and then start looking for suitable partners in Southeast Asia to formally expand overseas layout distribution.

2.2 Important Usages and Production Processes of Our Main Products :

(1) Important usage of major products :

The online transaction platform is the main business of the Company.

(2) Production processes for major products :

The online transaction platform is the main business of the Company and, thus, it is not applicable.

2.3 Supply Status of Main Materials :

The online transaction platform is the main business of the Company. The Company does not produce goods any more after sale and assignment of 101 Original Design in June 2017 and, thus, it is not applicable.

2.4 Major Suppliers and Clients :

(1) Names of customers who accounted for more than 10% of the total amount of goods purchased/sold in the past two years, the amounts and percentages of the goods purchased/sold and the reasons for the increase or decrease :

(A) Major Suppliers in the Last Two Calendar Years :

Unit: NT\$ thousand

Item	2018				2019			
	Name	Amount	Ratio to total goods purchased for the year (%)	Relationship with the issuer	Name	Amount	Ratio to total goods purchased for the year (%)	Relationship with the issuer
1	A Company	7,894	22.62	-	-	-	-	-
2	B Company	6,058	17.36	-	-	-	-	-
3	C Company	5,438	15.58	-	-	-	-	-
4	D Company	5,016	14.37	-	-	-	-	-
5	E Company	4,781	13.70	-	-	-	-	-
6	Others	5,714	16.37	-	-	-	-	-
	Total	34,901	100.00	-	-	-	-	-

(B) Reason for change :

Due to the adjustment of the structure at the end of 2018, the Company's VIP Brands Outlet website did not purchase goods anymore, bringing about changes to the vendors and the purchasing proportion in the recent two years.

(2) Major clients in the last two calendar years :

The Company belongs to e-commerce, and its sales target is mainly general consumers, so there are no customers who account for more than 10% of the total sales.

2.5 Production in the Last Two Years :

The Company is an E-Commerce company and there is no definite output and sales volume.

2.6 Shipments and Sales in the Last Two Years :

Unit: NT\$ thousand

Shipment Major product	Year	2018				2019			
		Import		Export		Import		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Internet service revenue		-	1,056,875	-	-	-	1,125,981	-	-
Platform commission revenue		-	345,150	-	-	-	330,858	-	-
Internet goods sales		134,438	64,605	-	-	10,237	11,192	-	-
Others		-	12,114	-	-	-	-	-	-
Total		-	1,478,744	-	-	-	1,468,031	-	-

3. Human Resources :

Item		Year	2018	2019	2020 as of March 31
Number of employees	Manager		16	17	18
	Staff		304	316	320
	Total		320	333	338
Average age			28.70	29.42	29.68
Average service year			3.77	3.92	4.08
Academic distribution	Master's degree		2.19%	2.10%	2.37%
	College		76.25%	78.68%	78.70%
	high school		21.56%	18.92%	18.64%
	Below high school		0%	0.30%	0.30%

4. Environmental Protection Expenditure :

The Company did not suffer from any loss or penalty due to environmental pollution in the past year and as of the date of publication of the annual report.

5. Labor Relations : Please refer to page 60 of the Chinese annual report.

6. Important Contracts :

Contract Type	Counterparty	Contract Start and Ending Dates	Contents	Restrictions
Supply of labor	ADDcn Technology (Shenzhen) Co., Ltd	109.01.01~109.12.31	Offshore labor	-
Trust contract for collection and payment transfer of online transactions	Trust Division, E.Sun Bank	Sep. 21, 2016 to Dec. 31, 2017. If both parties have no written objection to the renewal of the contract for one month after the expiration of the contract, the contract will be automatically extended for one year from the expiration date of the contract, and will be the same afterwards.	Collection and payment transfer of online transactions	-

VI. Financial Information

1. Five-Year Financial Summary :

1.1 Condensed Balance Sheet :

(1) Concise Individual Balance Sheet - Adopting International Financial Reporting Standards :

Unit: NT\$ thousand

Item \ Year		Financial Summary for The Last Five Years					as of Mar. 31, 2020
		2015	2016	2017	2018	2019	
Current assets		1,051,217	1,427,409	1,319,942	1,173,810	1,158,712	Note 2
Investment by Equity method		680,978	666,608	692,969	771,478	801,956	
Property, plant and equipment		71,802	222,312	231,051	230,895	319,884	
Intangible assets		133,832	125,204	118,087	109,855	100,736	
Other assets		259,408	201,053	331,756	317,250	288,410	
Total assets		2,197,237	2,642,586	2,693,805	2,603,288	2,669,698	
Current liabilities	Before distribution	332,818	751,162	832,224	869,120	874,812	
	After distribution	773,031	1,198,284	1,492,222	1,401,357	Note 1	
Non-current liabilities		22,949	25,649	27,768	31,794	43,895	
Total liabilities	Before distribution	355,767	776,811	859,992	900,914	918,707	
	After distribution	795,980	1,223,933	1,519,990	1,433,151	Note 1	
Interests attributable to parent company owner		1,841,470	1,865,775	1,833,813	1,702,374	1,750,991	
Capital stock		409,500	425,830	425,805	425,790	425,755	
Capital reserve		765,767	758,681	566,585	421,815	341,866	
Retained earnings	Before distribution	679,108	791,233	978,490	1,057,324	1,207,146	
	After distribution	238,895	344,111	467,524	525,087	Note 1	
Other interests		(12,905)	(109,969)	(137,067)	(202,555)	(223,776)	
Treasury stock		-	-	-	-	-	
Noncontrolling interests		-	-	-	-	-	
Total equity	Before distribution	1,841,470	1,865,775	1,833,813	1,702,374	1,750,991	
	After distribution	1,401,257	1,418,653	1,173,815	1,170,137	Note 1	

Note 1: The earnings distribution in 2019 has been approved by the Board of Directors, pending resolution by the Shareholders' Meeting.

Note 2: There were remaining financial analysis has not been reviewed by accountants in the first quarter of 2020 as of the date of publication of the Annual Report.

Note 3: No assets revaluation was conducted in each year.

(2) Concise Consolidated Balance Sheet - Adopting International Financial Reporting Standards:

Unit: NT\$ thousand

Item \ Year	Financial Summary for The Last Five Years					as of Mar. 31, 2020
	2015	2016	2017	2018	2019	
Current assets	1,255,386	1,595,653	1,601,257	1,422,566	1,409,304	Note 2
Property, plant and equipment	704,626	752,739	779,914	721,297	783,078	
Intangible assets	134,169	126,139	119,151	111,326	102,208	
Other assets	144,555	201,959	319,434	436,241	452,982	
Total assets	2,238,736	2,676,490	2,819,756	2,691,430	2,747,572	
Current liabilities	Before distribution	369,948	780,026	947,966	936,547	
	After distribution	810,161	1,227,148	1,607,964	1,468,784	
Non-current liabilities		22,949	25,649	27,768	31,794	
Total liabilities	Before distribution	392,897	805,675	975,734	968,341	
	After distribution	833,110	1,252,797	1,635,732	1,500,578	
Interests attributable to parent company owner		1,841,470	1,865,775	1,833,813	1,702,374	
Capital stock		409,500	425,830	425,805	425,790	
Capital reserve		765,767	758,681	566,585	421,815	
Retained earnings	Before distribution	679,108	791,233	978,490	1,057,324	
	After distribution	238,895	344,111	467,524	525,087	
Other interests		(12,905)	(109,969)	(137,067)	(202,555)	
Treasury stock		-	-	-	-	
Noncontrolling interests		4,369	5,040	10,209	20,715	
Total equity	Before distribution	1,845,839	1,870,815	1,844,022	1,723,089	
	After distribution	1,405,626	1,423,693	1,184,024	1,190,852	

Note 1: The earnings distribution in 2019 has been approved by the Board of Directors, pending resolution by the Shareholders' Meeting.

Note 2: There were remaining financial analysis has not been reviewed by accountants in the first quarter of 2020 as of the date of publication of the Annual Report.

Note 3: No assets revaluation was conducted in each year.

1.2 Condensed Statement of Income :

(1) Concise Individual Income Statement - Adopting International Financial Reporting Standards :

Unit: NT\$ thousand

Item \ Year	Financial Summary for The Last Five Years					as of Mar. 31, 2020
	2015	2016 (Note 2)	2017	2018	2019	
Operating revenue	1,346,811	1,199,400	1,325,901	1,417,973	1,413,137	Note 1
Gross profit	1,039,685	982,344	921,673	1,070,416	1,047,684	
Operating income	635,733	689,904	566,699	673,265	698,970	
Non-operating income and expenses	(37,849)	(29,170)	33,775	60,322	51,952	
Income from continuing operations before income tax	597,884	660,734	600,474	733,587	750,922	
Net income of continuing business units	497,902	552,055	499,389	595,540	601,159	
Loss of suspended business unit	-	283	134,990	-	-	
Net income	497,902	552,338	634,379	595,540	601,159	
Other comprehensive income, net of tax	(14,537)	(45,422)	(63,253)	(81,145)	(23,499)	
Total comprehensive income	483,365	506,916	571,126	514,395	577,660	
Net income attributable to stockholders of the parent	497,902	552,338	634,379	595,540	601,159	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to stockholders of the parent	483,365	506,916	571,126	514,395	577,660	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share	12.16	13.07	15.00	14.04	14.14	

Note 1: There were remaining financial analysis has not been reviewed by accountants in the first quarter of 2020 as of the date of publication of the Annual Report.

Note 2: The Company took January 1, 2015 as the reference date of the merger/consolidation, and proceed short-form merger/consolidation to 518 Technology Co., Ltd., a subsidiary company. Due to the reorganization, the accounting adopts the book value method and is regarded as re-editing the previous parent company only financial statements from the initial merger/consolidation. Therefore, when the Company prepared the parent company only financial statements for 2015, it has retrospectively re-edited the parent company only financial statements for 2014.

(2) Concise Consolidated Income Statement - Adopting International Financial Reporting Standards :

Unit: NT\$ thousand

Item \ Year	Financial Summary for The Last Five Years					as of Mar. 31, 2020
	2015	2016 (Note 2)	2017	2018	2019	
Operating revenue	1,356,019	1,240,814	1,371,193	1,478,744	1,468,031	Note 1
Gross profit	1,087,620	1,065,361	1,075,069	1,170,177	1,155,098	
Operating income	567,247	641,964	602,277	728,260	717,142	
Non-operating income and expenses	31,390	20,445	10,968	25,393	38,412	
Income from continuing operations before income tax	598,637	662,409	613,245	753,653	755,554	
Net income of continuing business units	498,035	552,726	504,725	605,804	600,852	
Loss of suspended business unit	-	283	134,990	-	-	
Net income	498,035	553,009	639,715	605,804	600,852	
Other comprehensive income, net of tax	(14,537)	(45,422)	(63,253)	(81,804)	(23,798)	
Total comprehensive income	483,498	507,587	576,462	524,000	577,054	
Net income attributable to stockholders of the parent	497,902	552,338	634,379	595,540	601,159	
Net income attributable to non-controlling interests	133	671	5,336	10,264	(307)	
Total comprehensive income attributable to stockholders of the parent	483,365	506,916	571,126	514,395	577,660	
Total comprehensive income attributable to non-controlling interests	133	671	5,336	9,605	(606)	
Earnings per share	12.16	13.07	15.00	14.04	14.14	

Note 1: There were remaining financial analysis has not been reviewed by accountants in the first quarter of 2020 as of the date of publication of the Annual Report.

Note 2: In order to concentrate more on the operation of Internet platforms, the Company's 101 Original T-shirt department was sold to Newcross Co., Ltd. by the resolution of the Board of Directors on March 14, 2017, and the business transfer and transaction were completed on June 14, 2017. Since the Department was not a closed business unit or assets to be sold on December 31, 2016, the consolidated income statement of the previous year was re-edited and the closed business unit and the continued business unit were separately listed.

1.3 Auditors' Opinions in the past five years :

Year	Accounting firm	Auditing CPAs	Audit opinion
2015	KPMG	Yu, Sheng-Ho 、Li, Ci-Hui	Revised unqualified opinion
2016	KPMG	Yu, Sheng-Ho 、Li, Ci-Hui	Unqualified opinion with other paragraphs
2017	KPMG	Yu, Sheng-Ho 、Wu, Mei-Pin	Unqualified opinion
2018	KPMG	Yu, Sheng-Ho 、Wu, Mei-Pin	Unqualified opinion
2019	KPMG	Chen, Cheng-Chien 、 Huang, Yung-Hua	Unqualified opinion

2. Five-Year Financial Analysis :

2.1 Individual Financial Analysis - Adopting International Financial Reporting Standards :

Item \ Year		Financial analysis for the past five years					as of Mar. 31, 2020
		2015	2016 (Note 2)	2017	2018	2019	
Financial structure (%)	Debt to asset ratio	16.19	29.39	31.92	34.60	34.41	Note 1
	Long term capital to property, plant and equipment ratio	993.69	850.79	805.70	751.06	561.10	
Solvency (%)	Current ratio	315.85	190.02	158.60	135.05	132.45	
	Quick ratio	292.79	180.64	156.35	132.79	132.08	
	Interest coverage ratio	298,943.00	661,075.00	-	-	2,889.16	
Operating capacity	Receivable turnover rate (times)	16.30	13.24	10.52	9.56	8.80	
	Average cash recovery day	22.39	27.56	34.69	38.17	41.47	
	Inventory turnover rate (times)	3.88	3.64	10.09	18.93	55.72	
	Payable turnover rate (times)	10.71	4.79	5.81	4.72	4.90	
	Days sales outstanding	94.07	100.27	36.17	19.28	6.55	
	Property, plant and equipment turnover rate (times)	10.98	5.85	5.84	6.13	5.13	
	Total asset turnover rate (times)	0.62	0.49	0.49	0.53	0.53	
Profitability	Return on assets (%)	23.21	22.82	18.71	22.48	22.80	
	Return on equity (%)	27.71	29.79	26.99	33.68	34.81	
	Pre-tax net profit to paid-in capital ratio (%)	146.00	155.16	141.02	172.28	176.37	
	Net profit rate (%)	36.97	46.03	47.85	41.99	42.54	
	Earnings per share (NT\$)	12.16	13.07	15.00	14.04	14.14	
Cash flow	Cash flow ratio (%)	193.07	145.61	66.26	77.42	70.77	
	Cash flow adequacy ratio (%)	140.71	163.98	139.85	131.93	122.80	
	Cash reinvestment ratio (%)	27.04	66.91	(12.14)	2.4	14.14	
Leverage	Operating leverage	1.01	0.88	1.25	1.21	1.22	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

Note 1: The 2020 Q1 financial data audited by the CPA was not available up to the publication date of the annual report.

(1) The variation in inventory turnover and average number of days of sale was mainly due to the sale of the Company's 101 Original Design in mid-year 2017. The purchase was discontinued, and the only transaction is sale of remaining goods on consignment to clean up inventory. All the goods had sold out in the first half of 2019 and the turnover rose as a result.

(2) The variation in long-term fund to real-estate, plant and equipment was mainly due to purchase of a new office in 2019 and the increased expenses for this purchase.

(3) The variation in cash reinvestment ratio was mainly due to the higher cash dividend in 2017, which was allocated in 2018.

Note 2: In order to concentrate more on the operation of Internet platforms, the Company's 101 Original T-shirt department was sold to Newcross Co., Ltd. by the resolution of the Board of Directors on March 14, 2017, and the business transfer and transaction were completed on June 14, 2017. Since the Department was not a closed business unit or assets to be sold on December 31, 2016, the consolidated income statement of the previous year was re-edited and the closed business unit and the continued business unit were separately listed.

2.2 Consolidated Financial Analysis - Adopting International Financial Reporting Standards :

Item \ Year		Financial analysis for the past five years					as of Mar. 31, 2020
		2015	2016 (Note 2)	2017	2018	2019	
Financial structure (%)	Debt to asset ratio	17.55	30.10	34.60	35.98	35.54	Note 1
	Long term capital to property, plant and equipment ratio	265.21	251.94	239.99	243.29	231.81	
Solvency (%)	Current ratio	339.34	204.56	168.91	151.89	151.16	
	Quick ratio	317.42	194.77	166.84	149.56	150.55	
	Interest coverage ratio	299,319.5	662,750.0	-	-	2,615.37	
Operating capacity	Receivable turnover rate (times)	15.89	14.99	10.11	9.35	8.89	
	Average cash recovery day	22.97	24.34	36.10	39.03	41.05	
	Inventory turnover rate (times)	3.39	5.06	7.39	16.81	47.71	
	Payable turnover rate (times)	133.56	50.33	37.71	64.53	159.74	
	Days sales outstanding	107.66	72.13	49.39	21.71	7.65	
	Property, plant and equipment turnover rate (times)	3.54	1.96	1.78	1.97	1.95	
	Total asset turnover rate (times)	0.62	0.58	0.49	0.53	0.53	
Profitability	Return on assets (%)	22.82	22.50	23.27	21.98	22.10	
	Return on equity (%)	27.68	29.75	34.44	33.96	34.39	
	Pre-tax net profit to paid-in capital ratio (%)	146.18	155.63	144.02	177.00	177.46	
	Net profit rate (%)	36.72	38.70	46.65	40.96	40.92	
	Earnings per share (NT\$)	12.16	13.07	15.00	14.04	14.14	
Cash flow	Cash flow ratio (%)	150.24	133.33	69.91	72.17	68.95	
	Cash flow adequacy ratio (%)	57.14	85.70	83.68	99.63	97.96	
	Cash reinvestment ratio (%)	10.10	34.94	1.67	1.29	8.30	
Leverage	Operating leverage	1.31	1.12	1.48	1.40	1.47	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

Note 1: There were remaining financial analysis has not been reviewed by accountants in the first quarter of 2020 as of the date of publication of the Annual Report. °

- (1) The variation in inventory turnover and average number of days of sale was mainly due to the sale of the Company's 101 Original Design in mid-year 2017. The purchase was discontinued, and the only transaction is sale of remaining goods on consignment to clean up inventory. All the goods had sold out in the first half of 2019 and the turnover rose as a result.
- (2) The variation in account payable turnover was mainly due to adjusting the structure of the Company's VIP Brands Outlet website at the end of 2018 and reducing the sale of vendors' goods on consignment and outright purchase. Since there was no purchase in 2019 anymore, the account payable was reduced.
- (3) The variation in cash reinvestment ratio was mainly due to the higher cash dividend in 2017, which was allocated in 2018.

Note 2: In order to concentrate more on the operation of Internet platforms, the Company's 101 Original T-shirt department was sold to Newcross Co., Ltd. by the resolution of the Board of Directors on March 14, 2017, and the business transfer and transaction were completed on June 14, 2017. Since the Department was not a closed business unit or assets to be sold on December 31, 2016, the consolidated income statement of the previous year was re-edited and the closed business unit and the continued business unit were separately listed.

The above financial analysis is calculated as follows:

1. Financial structure
 - (1) Debt to asset ratio = total liabilities / total assets
 - (2) Long term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment
2. Solvency
 - (1) Current ratio = current assets / current liabilities
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities
 - (3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period
3. Operating capacity
 - (1) Receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business)
 - (2) Average cash recovery date = 365 / receivables turnover rate
 - (3) Inventory turnover rate = sales cost / average inventory
 - (4) Payable (including accounts payable and notes payable due to business) turnover rate = cost of sales / average balance payable on each period (including accounts payable and notes payable due to business)
 - (5) Days sales outstanding = 365 / inventory turnover rate
 - (6) Property, plant and equipment turnover = net sales / net average property, plant and equipment value
 - (7) Total asset turnover rate = net sales / average total assets
4. Profitability
 - (1) Return on assets = [after tax profit and loss + interest expense × (1 - tax rate)] / average total assets
 - (2) Return on equity = after tax profit and loss / average equity
 - (3) Net profit rate = after tax profit and loss / net sales
 - (4) Earnings per share = (profit or loss attributable to parent company owner - special dividend) / weighted average number of issued shares
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividend) in the last five years
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long term investment + other non-current assets + working capital)
6. Leverage:
 - (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit.
 - (2) Financial leverage = operating profit / (operating profit - interest expense)

3. Supervisors' s Report for the Most Recent Year :
Please refer to page 59 of the Chinese annual report.
4. Latest Financial Statements:
Please refer to Appendix.
5. Latest Parent Company Only Financial Statements Audited and Certified by CPAs:
Please refer to Appendix.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Analysis of Financial Status :

Unit: NT\$ thousand; %

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	1,409,304	1,422,566	-13,262	-0.93%
Investment by Equity method	35,988	25,825	10,163	39.35%
Property, plant and equipment	783,078	721,297	61,781	8.57%
Intangible assets	102,208	111,326	-9,118	-8.19%
Other assets	416,994	410,416	6,578	1.60%
Total assets	2,747,572	2,691,430	56,142	2.09%
Current liabilities	932,270	936,547	-4,277	-0.46%
Long-term liabilities	44,202	31,794	12,408	39.03%
Total liabilities	976,472	968,341	8,131	0.84%
Interests attributable to parent company owner	1,750,991	1,702,374	48,617	2.86%
Common stock	425,755	425,790	-35	-0.01%
Capital reserve	341,866	421,815	-79,949	-18.95%
Retained earnings	1,207,146	1,057,324	149,822	14.17%
Other components of equity	-223,776	-202,555	-21,221	10.48%
Non-controlling interests	20,109	20,715	-606	-2.93%
Total equity	1,771,100	1,723,089	48,011	2.79%
1. Variations exceeding 20% in the most recent two years to the amount of more than NT\$ 10 million: (1) The variation in investment under equity method was mainly from the increased profit of the companies in 2019 in which the Company invested under the equity method and the increased investment gains that the Company recognized. (2) The variation in non-current liabilities was mainly from the lease liabilities generated due to IFRS 16 'Leases' which the Company adopted in 2019 and increase of the guaranteed deposits received in the same year. 2. Future countermeasures: The above variations were normal in regular business activities without significant effect on the financial condition of the Company.				

2. Analysis of Financial Performance :

Unit: NT\$ thousand; %

Item \ Year	2019	2018	Difference	% of change
Operating revenues	1,468,031	1,478,744	-10,713	-0.72%
Operating costs	312,933	308,567	4,366	1.41%
Gross profit	1,155,098	1,170,177	-15,079	-1.29%
Operating expenses	437,956	441,917	-3,961	-0.90%
Operating income	717,142	728,260	-11,118	-1.53%
Non-operating income and expenses	38,412	25,393	13,019	51.27%
Income from continuing operations before income tax	755,554	753,653	1,901	0.25%
Income tax expense	154,702	147,849	6,853	4.64%
Continued business unit net income	600,852	605,804	-4,952	-0.82%
Closed business unit profit (loss)	-	-	-	-
Net income	600,852	605,804	-4,952	-0.82%
Other comprehensive income (net after tax)	-23,798	-81,804	58,006	-70.91%
Total comprehensive income	577,054	524,000	53,054	10.12%
Net profit attributable to the Stockholders of the parent	601,159	595,540	5,619	0.94%
Total comprehensive income (loss) attributable to the Stockholders of the parent	577,660	514,395	63,265	12.30%
Variations exceeding 20% in the most recent two years to the amount of more than NT\$ 10 million:				
(1) The variation in non-operating income and expense was mainly from the increased profit of the companies in 2019 in which the Company invested under the equity method and the increased investment gains that the Company recognized.				
(2) The variation in other comprehensive income in the current period (net after tax) was mainly from the higher evaluation amount of the financial assets that measured at fair value through other comprehensive income.				

To set the Company's annual performance target according to the industrial environment and the future supply and demand situation of the market, and considering the number of members and past business performance. In addition, we will strengthen the efficiency of internal management, improve business performance and increase the launch of new undertakings. It is expected that the Company's future sales will be able to maintain a sustained growth.

3. Analysis of Cash Flow :

3.1 Cash Flow Analysis for the Current Year :

Unit: NT\$ thousand; %

Item	2019	2018	% of change	
			Amount	%
Operating activity	642,846	675,945	-33,099	-4.90%
Investing activity	-114,561	35,648	-150,209	-421.37%
Financing activity	-531,837	-658,540	126,703	-19.24%
Foreign exchange rate effect	-6,512	-1,251	-5,261	420.54%
Net cash flow	-10,064	51,802	-61,866	-119.43%

The main reasons for the recent changes in cash flow are as follows:

The variation in investing activity and net cash flow was mainly from the cash outflow for the office purchased by the Company in 2019, the reversal of advanced receipts against the amount collected by 8591 convenience stores, and the cash inflow due to cancellation of time deposit in 2018. Since these did not happen in 2019, deviation between 2018 and 2019 occurred

3.2 Improvement plan for lack of liquidity :

The Company had net cash inflow in the previous year. The net cash outflow was mainly from the allocation of cash dividends and the office purchased in 2019. Since purchasing offices was an unusual capital expense and there was no significant difference compared to the last period in the balances of the cash and cash equivalent at the end of the period, there was no cash deficiency.

3.3 Liquidity analysis for the next year :

It is expected that the revenue of the next year will continue to increase. Meanwhile, the Company is in the growing and profit-making stage and there is no likelihood of insufficient capital liquidity or cash deficiency.

4. Major Capital Expenditure Items :

Since the Company's operation status is in good condition, the cash inflow from the business operation is stable, and the fund of major capital expenditure for purchase of real-estate for own use in the most recent years came from the working capital of the Company, there was no significant impact on the Company's finance.

5. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year :

5.1 Reinvestment policy in the past year :

Based on the operation needs and consideration of future development, the Company is going to invest in the companies related to the main business of the Company, and an improved overall operating performance is expected by doing so.

Unit: NT\$ thousand

Invested company	Shareholding percentage	Gain (loss) recognized in the most recent years	Policy	Main causes of profit or loss	Rectification	Investment plans for the next year
ADDcn Technology (Samoa) Co., Ltd	100%	13,944	Offshore holding company	Investment gains recognized due to the profit of invested business and company	-	-
ADDCN Technology (Shenzhen) Co., Ltd	100%	14,646	Provision of maintenance, operations, and customer services for ADDCN Technology Co., Ltd.	Provision of services and proper management of the expenses	-	-
ADDCN Technology (Hong Kong) Co., Ltd	70%	(717)	Development of overseas markets	The new 8591 website was built, and no fees were charged but marketing expenses were generated at the initial stage.	-	-
digit marketing Co., Ltd.	33.29%	17,382	Advertising for the platform's operation	The invested company's strength in the industry is a complement to the brand awareness of the Company to improve the profitability.	-	-

5.2 Main reasons for profit or loss and improvement plan :

Loss from investment of the Company: ADDCN Technology (Hong Kong) Co., Ltd. built the new 8591 website without charging fees at the current stage, in addition to marketing and advertising events held on an irregular basis. These were the main factors leading to the light loss of the Company.

5.3 Investment plan in the coming year: None.

6. Analysis of Risk Management :

6.1 Impact of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

(1)Interest rate

The Group does not have bank loans. It is estimated that there should not have the need for loans within one year. Hence, the change of the interest rate will not increase the Company's expenditure. The Group mainly deposits the funds in current and time deposits. The interest revenue in 2019 and 2018 was NT\$ 4,919 thousand and NT\$ 6,117 thousand accounting for 0.34% and 0.41%, respectively, of the operating revenue. Since the ratios were quite small, the impact on the Group's profit was limited.

(2)Exchange rates

The Group's amounts of purchase and sale are denominated in NT\$. The exchange gain (loss) in each year is mainly from the collection and payment of service costs between affiliates. The consolidated exchange gains (losses) in the most recent two years accounted for less than 1% of the net operating revenue and operating profit, respectively, showing

that variation of the exchange rate did not have any material effect on the Group's profit.

(3) Inflation

The Group has not been significantly affected by inflation so far. We will continue to pay attention to the overall price level and the changes in the market, and will appropriately adjust the price and control the cost structure in response to the market condition.

- 6.2 Policy on high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as derivatives transactions, major causes for profits or losses and future countermeasures:

The Group focuses on the operation of the main business. Our financial management is based on the principle of conservation and stability, and we are not engaged in any high-risk and high-leverage investment. The Group has established regulations for loaning funds to others, endorsements, guarantees, and derivatives trading. Up to the prospectus' publication date, the Group had never been engaged in loaning funds to others, endorsements, guarantees, and derivatives trading.

- 6.3 Future research and development projects, and expenditures expected in connection therewith:

The Group's future research and development plans will utilize the knowledge and technology related to the network structure accumulated by the Group to continue optimizing the service of the original portal and developing new application services. By providing novel, various, convenient functions on the website, we can enhance customers' loyalty, attract new members, and expand the market share continuously to become a network operator that combines the development, operations, and promotion of websites.

The Group's R&D expenses in 2019 and 2018 were NT\$ 45,654 thousand and NT\$ 54,682 thousand accounting for 3.11% and 3.71%, respectively, of the revenue in the current year. In the future, we will depend on the operation status, profit-seeking targets in line with the product development plan of the Company to use our resources in R&D to develop new products that meet the market trend and customer's needs.

- 6.4 Financial impacts and responsive measures in the event of changes in local and foreign regulations:

The Group not only follows relevant domestic and foreign laws and regulations to conduct the operation, but also pays constant attention to the policy development trends and changes of laws and regulations in Taiwan and foreign countries. We assign professional personnel to attend internal and external training courses irregularly to understand the changes of the political and economic situation in Taiwan and foreign countries. So far, the Group's financial operations have not been significantly affected by the changes in domestic and foreign policies or regulations.

- 6.5 The impact on the Company's financial operations of developments in science, technology, and industry, and the measures the Company plans to adopt in response:

With the improvement of technology, the fast growth of the global computer usage, and the upgrade of broadband service in recent years, the penetration rate of the computer and Internet becomes higher and the living style changes as a result. Since the establishment, the Group has continued to improve the service quality and made efforts to provide new online new functions. We have also looked for new applications of related information services to provide convenient, service-oriented and completed platforms. Meanwhile, we have paid constant attention to the changes in the industrial technology and the development trend of e-commerce to quickly response to the situation and grasp opportunities to increase profit. Hence, the

development in science, technology, and industry has a positive impact on the Group's financial operations.

6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

Since the establishment, the Group has focused on operating the main business, developing products, taking internal management seriously and complying with relevant laws and regulations strictly; so far, no impact that damaged the Group's image has occurred. We will completely comply with relevant laws and regulations, implement every requirement of the corporate governance and consult with experts timely to lower the risk and the impact on the Group's financial operations as a result thereof.

6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:

The Group did not have in-progress merger projects or plans of merging other companies in the most recent year and up to the publication date of the prospectus. The Company has established the "Special Committee for Mergers." We will consider the synergy of merger with prudent assessment if there is any merging plan, and submit it to the Special Committee for Mergers for review to secure shareholders' interests.

6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

The Group is not a manufacturer; thus expansion of plants is not applicable. Also, for the platform expansion plan, the Group will utilize the operation planning, market assessment, product design and financial estimation to assess the risk and provide responsive strategies for them.

6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

(1)Purchase:

The Group's 8591 Virtual Treasure Trading, 591 Property Trading, 8891 Cars Trading and 518 Human Resource are online transaction platforms that do not procure or manufacture physical product. Hence, there is no purchase consolidation risk.

(2)Sales:

Due to the characteristics of the Group's business, there is no specific buyer. The total revenue of top-10 customers only accounts for less than 10% of the consolidated operating revenue and, thus, there is no sales consolidation risk.

6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

In the most recent year and up to the publication date of the prospectuses, there is no major transfer of shareholding by directors, supervisors, or major shareholders with more than 10% of shareholding.

6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights:

The Company's shares are mainly held by directors/supervisors and employees who have a strong sense of mission toward the Company and participate in significant decisions on a long-term basis, maintaining a high-growth and best operating performance of the Company in recent years. We will also uphold an operational and ethical belief of steadiness and integrity to obtain the recognition from all shareholders towards the management team. Therefore, the Company will not have impact and risk due to changes of the management power.

6.12 Litigation or Non-litigation Matters

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit

Party	Litigation start date	Amount involved	Fact	Current status as of the date of publication of the annual report
Plaintiff: Taipei Financial Center Co., Ltd. Defendant: The Company	Declaration was received on April 21, 2017	—	Due to the trademark, '101 VIP Brands Outlet,' the plaintiff instituted an action for eliminating the infringement on trademark rights.	Taipei Financial Center Co., Ltd prevailed in the litigation at the first instance, and the case was currently under the jurisdiction of Intellectual Property Court. Taipei Financial Center Co., Ltd prevailed in the litigation at the second instance, and the case was currently under the jurisdiction of Intellectual Property Court. The probability of winning or losing the case and the exact effects at the third instance could have not been assessed.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings : None

6.13 Other significant risks and corresponding countermeasures:

(1) Information security risks and corresponding countermeasures:

The Company has endeavored to ensure the control and management of the information security and the personal data protection. We established the committee for assessment of information management which is responsible to promote, coordinate, and supervise the matters relating to the protection of information of the Company in 2013. Meanwhile, we also engaged the third-party certification unit to regularly assess the information security of the Company. Also, the Company passed the SGS international certification and BS 10012 PIMS (Personal Information Management System) in 2017. We maintain the information security regularly every year and continue to pass the certification to preserve its effectiveness to ensure the highest-level protection of the clients' information under multi-layers information security controls. In addition, to protect clients' rights of privacy, the Company set up the 'Privacy Policy' page on the official website that reports the collection, process, use of clients' information which comply with the regulations related to 'Personal Data Protection Act'. We also established "Personal Data, Document and Record Management Procedure," "Personal Data Inventory and Risk Management Procedure," "Accident Response Management Procedure," "Personal Data Audit and Corrective/Preventive Management Procedure" and "Personal Data Outsourcing Management Procedure." All persons must only process and use the necessary information based on the well-defined authorized regulation. The information must be properly preserved according to the regulation of the inventory form and be deleted effectively depending on the retention period. In addition, we have engaged a third-party certification unit to scan the internal and external information security of the Company every year since 2014 to ensure the information environment and technology is secure. Since the same year, the inspection overview and the planning of information security of the current year have been regularly submitted to the board of directors meeting.

The Company adopted the best technology to guarantee the security of the clients' personal data. Currently, we use the Secure Sockets Layer (SSL) mechanism (256Bit) to encrypt the data transmission, and install firewall to prevent the clients' personal data from illegal access by illegal attacks. Meanwhile, we cooperated with the Internet service provider to expand network resources to further prevent Distributed Denial-Of-Service attack, and provided Content Distribution Network to be able to transmit the service contents to the

users more quickly, reliably and efficiently. To provide the service that is more suitable to the clients, we use Cookie to receive and record the servers' data including IP Address and Cookies which to be used in the work of updating products and optimizing Internet service. To improve the network security, we have equipped the websites with HTTPS which is an encrypted transfer protocol secure to protect the privacy of transaction information in 2014. Since the establishment, the Company has never received incidents that could have impact on the personal data security, which sufficiently proves that the Company takes the establishment and fulfillment of the information security policy very seriously.

In addition, the occurrence of the network and information security incident could have partially evolved into the personal data breach. Therefore, the Company brought in 'Face Recognition System' and 'Employee Internet Access Identification System' to strength control over the personnel access in 2019. Meanwhile, we actively found an insurance company to insure 'Cyber Insurance' to effectively reduce the losses and damages caused by the occurrence of incidents.

7. Other Major Risks : None ◦

VIII. Special Disclosure

1. Summary of Affiliated Companies : Please refer to page 78 of the Chinese annual report.
2. Private Placement Securities in the Most Recent Years: None.
3. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.
4. Other Necessary Supplementary Notes :
Handling of Going TPEX Commitments :

Going TPEX Commitments	Handling of Commitments
(1) Commitment to add "The company may not abandon the capital increase of ADDCN Technology (Samoa) Co., Ltd (hereinafter referred to as ADDCN (Samoa) for the next years. Digital Technology (Samoa) shall not give up the future capital increase of addcn Technology (Shenzhen) Co., Ltd or the next years. In the future, if the Company has to abandon the capital increase or dispose of the above companies by the capital increase consideration or other agreement of the Taipei Exchange, it must subject to a special resolution of the Board of Directors." to "Procedures for Acquisition and Disposal of Assets". If any amendments are made thereafter, the disclosure of important information from the Public Information Observatory shall be entered and reported to the Republic of China Counter Trading Center, a consortium legal person, for reference. If the procedure is revised, it should be posted into the MOPS and reported to the Taipei Exchange for future reference.	The company has written to promise that it will be handled in accordance with the relevant provisions in the future. The Board of Directors and the Shareholders' Meeting have adopted the additional commitments listed in the left column on March 20, 2014 and June 13, 2014, respectively.
(2) Commitment the Taipei Exchange may, if necessary, require the Company to entrust an accountant or institution designated by the Taipei Exchange to conduct external professional inspection in accordance with the scope of inspection designated by the Taipei Exchange, and submit the inspection results to the Taipei Exchange, and the Company shall bear the relevant expenses.	The company has written to promise that it will be handled in accordance with the relevant provisions in the future.

ADDcn Technology Co., Ltd

Chairman:Liao, Shih-Fang

Addcn Technology Co., Ltd. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

Address: 10F, No.12, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist.,
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Addcn Technology Co., Ltd. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Addcn Technology Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Addcn Technology Co., Ltd.
Chairman: Shi-Fang Liao
Date: March 12, 2020



安侯建業聯合會計師事務所
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Independent Auditors' Report

To the Board of Directors of Addcn Technology Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Addcn Technology Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

Please refer to note 4(o) for the accounting policy of "Revenue" and note 6(u) for composition of revenue.

Description of key audit matter:

Sales Revenue of the Group is mainly generated from operating online platforms. The way of revenue recognition varies by different types of transactions and its economic substances. Also, there is a large volume of transactions through the online platforms day-by-day with system-controlled trading information and procedures.

Therefore, transaction information and the timing of revenue recognition is an important issue in our audit of the consolidated financial statements.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding trading models of each online platform and its principal system-based application control and manual control, including involving IRM specialist in testing the general information technology environment and related application control of their main transaction processes; obtaining the monthly income statement generated by the system of online platforms, assessing whether the system processes transaction information appropriately, and inspecting some samples of accounting vouchers to see if they agree with the monthly income statement generated by the system.

Other Matter

Adden Technology Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 12, 2020

Notes to Readers

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

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Adden Technology Co., Ltd. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018			December 31, 2019		December 31, 2018	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (note 6(a))	\$ 670,101	24	680,165	25	2151 Notes payable and trade payable	\$ 205	-	3,713	-
1110 Current financial assets at fair value through profit or loss (note 6(b))	-	-	22,340	1	2200 Other payables (note 6(n) and 7)	288,003	10	302,812	11
1170 Notes and trade receivable, net (note 6(d)(u))	87,691	3	120,379	5	2130 Contract liabilities (note 6(u))	211,590	8	199,353	8
1181 Trade receivable due from related parties (note 7)	64,777	2	20,781	1	2335 Receipts under custody (note 6(n))	427,202	16	427,355	16
130X Inventories (note 6(e))	-	-	9,716	-	2399 Other current liabilities, others	5,270	-	3,314	-
1476 Other current financial assets (note 6(l), 7 and 8)	569,939	21	547,880	20		932,270	34	936,547	35
1479 Other current assets, others (note 6(m))	16,796	1	21,305	1	Non-Current liabilities:				
	1,409,304	51	1,422,566	53	2645 Guarantee deposits received	36,332	2	31,781	1
					2670 Other non-current liabilities, others	7,870	-	13	-
Non-current assets:						44,202	2	31,794	1
1518 Equity investment at fair value through other comprehensive income (note 6(c))	227,250	8	195,651	7		976,472	36	968,341	36
1521 Debt investment at fair value through other comprehensive income (note 6(c))	32,056	1	70,351	3	Total liabilities				
1550 Investments accounted for using equity method (note 6(f))	35,988	1	25,825	1	Equity attributable to owners of parent (note 6(r)(s)):				
1600 Property, plant and equipment (note 6(i))	783,078	29	721,297	27	Ordinary share	425,755	15	425,790	16
1760 Investment property, net (note 6(j))	107,401	4	119,187	4	Capital surplus	341,866	12	421,815	16
1780 Intangible assets (note 6(s))	102,208	4	111,326	4	Retained earnings	1,207,146	44	1,057,324	39
1840 Deferred tax assets (note 6(q))	15,245	1	24,271	1	Other equity	(223,776)	(8)	(202,555)	(8)
1995 Other non-current assets, others (note 6(m))	35,042	1	956	-	Total equity attributable to owners of parent	1,750,991	63	1,702,374	63
	1,338,268	49	1,268,864	47	Non-controlling interests	20,109	1	20,715	1
Total assets	\$ 2,747,572	100	2,691,430	100	Total equity	1,771,100	64	1,723,089	64
					Total liabilities and equity	\$ 2,747,572	100	2,691,430	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Adden Technology Co., Ltd. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2019		2018	
		Amount	%	Amount	%
4000	Operating revenue (note 6(u) and 7)	\$ 1,468,031	100	1,478,744	100
5000	Operating costs (note 6(e))	<u>312,933</u>	<u>21</u>	<u>308,567</u>	<u>21</u>
5900	Gross profit from operations	<u>1,155,098</u>	<u>79</u>	<u>1,170,177</u>	<u>79</u>
6000	Operating expenses (note 6(d)(p)(v) and 7):				
6100	Selling expenses	176,924	12	176,472	12
6200	Administrative expenses	202,597	14	199,392	13
6300	Research and development expenses	45,654	3	54,862	4
6450	Impairment loss determined in accordance with IFRS 9	<u>12,781</u>	<u>1</u>	<u>11,191</u>	<u>1</u>
	Total operating expenses	<u>437,956</u>	<u>30</u>	<u>441,917</u>	<u>30</u>
6900	Net operating income	<u>717,142</u>	<u>49</u>	<u>728,260</u>	<u>49</u>
	Non-operating income and expenses:				
7010	Other income (note 6(w) and 7)	20,221	1	25,411	2
7020	Other gains and losses, net (note 6(h)(w))	1,098	-	(136)	-
7050	Finance costs (note 6(w))	(289)	-	-	-
7375	Share of profit of associates accounted for using equity method (note 6(f))	<u>17,382</u>	<u>1</u>	<u>118</u>	<u>-</u>
	Total non-operating income and expenses	<u>38,412</u>	<u>2</u>	<u>25,393</u>	<u>2</u>
	Profit before income tax	755,554	51	753,653	51
7951	Less: income tax expenses (note 6(q))	<u>154,702</u>	<u>11</u>	<u>147,849</u>	<u>10</u>
	Profit	<u>600,852</u>	<u>40</u>	<u>605,804</u>	<u>41</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(743)	-	(66,729)	(5)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(743)</u>	<u>-</u>	<u>(66,729)</u>	<u>(5)</u>
8360	Items that will be reclassified subsequently to profit or loss				
8361	Exchange differences on translation	(23,094)	(1)	(12,156)	(1)
8367	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	39	-	(2,919)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(23,055)</u>	<u>(1)</u>	<u>(15,075)</u>	<u>(1)</u>
8300	Other comprehensive income	<u>(23,798)</u>	<u>(1)</u>	<u>(81,804)</u>	<u>(6)</u>
	Total comprehensive income	<u>\$ 577,054</u>	<u>39</u>	<u>524,000</u>	<u>35</u>
	Profit attributable to:				
8610	Owners of parent	\$ 601,159	40	595,540	40
8620	Non-controlling interests	<u>(307)</u>	<u>-</u>	<u>10,264</u>	<u>1</u>
		<u>\$ 600,852</u>	<u>40</u>	<u>605,804</u>	<u>41</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 577,660	39	514,395	35
8720	Non-controlling interests	<u>(606)</u>	<u>-</u>	<u>9,605</u>	<u>-</u>
		<u>\$ 577,054</u>	<u>39</u>	<u>524,000</u>	<u>35</u>
	Basic earnings per share (NT dollars) (note 6(t))	<u>\$ 14.14</u>		<u>14.04</u>	
	Diluted earnings per share (NT dollars) (note 6(t))	<u>\$ 14.04</u>		<u>13.93</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Adden Technology Co., Ltd. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent											
Share capital		Retained earnings			Other equity						
		Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Unearned compensation	Total equity
Ordinary shares											
\$	425,805	566,585	280,758	58,329	639,403	978,490	(69,437)	-	(52,143)	(15,487)	1,833,813
-	-	-	-	-	-	-	-	(49,695)	52,143	-	2,448
425,805		566,585	280,758	58,329	639,403	978,490	(69,437)	(49,695)	-	(15,487)	1,846,470
-	-	-	63,438	-	(63,438)	-	-	-	-	-	-
-	-	-	-	63,253	(63,253)	-	-	-	-	-	-
-	-	-	-	-	(510,966)	(510,966)	-	-	-	-	(510,966)
-	-	-	63,438	63,253	(637,657)	(510,966)	-	-	-	-	(510,966)
-	-	-	-	-	595,540	595,540	-	-	-	-	10,264
-	-	-	-	-	-	-	(11,497)	(69,648)	-	-	(81,804)
-	-	-	-	-	595,540	595,540	(11,497)	(69,648)	-	-	(659)
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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Adden Technology Co., Ltd. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Profit before tax	\$ 755,554	753,653
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	37,203	28,523
Amortization expense	9,726	9,458
Expected credit loss	12,781	11,191
Net gain on financial assets at fair value through profit or loss	(189)	-
Interest expense	289	-
Interest income	(4,919)	(6,117)
Dividend income	(1,478)	(400)
Share-based payments	3,194	19,308
Share of profit of associates accounted for using equity method	(17,382)	(118)
Loss on disposal of property, plan and equipment	206	41
Property, plan and equipment transferred to expenses	-	5
Gain on disposal of investments	(545)	(240)
Gain on disposal of investments accounted for using equity method	-	(1,681)
Unrealized foreign exchange loss (gain)	1,199	(55)
Gain on price recovery of inventory	-	(5,700)
Total adjustments to reconcile profit	<u>40,085</u>	<u>54,215</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and trade receivable	19,907	(16,008)
Trade receivable due from related parties	(43,996)	(20,781)
Inventories	9,716	10,479
Other current assets	4,606	5,369
Other financial assets	7,105	9,659
Total changes in operating assets	<u>(2,662)</u>	<u>(11,282)</u>
Changes in operating liabilities:		
Notes payable and trade payable	(3,508)	(2,137)
Trade payable to related parties	-	17,787
Other payable	(4,505)	(51,776)
Other payable to related parties	(6,667)	6,962
Contract liabilities	12,237	15,603
Other current liabilities	(2,661)	(644)
Receipts under custody	(153)	27,976
Total changes in operating liabilities	<u>(5,257)</u>	<u>13,771</u>
Total changes in operating assets and liabilities	<u>(7,919)</u>	<u>2,489</u>
Total adjustments	<u>32,166</u>	<u>56,704</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Adden Technology Co., Ltd. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash inflow generated from operations	787,720	810,357
Interest received	4,688	6,152
Interest paid	(289)	-
Income taxes paid	(149,273)	(140,564)
Net cash flows from operating activities	642,846	675,945
Cash flows (used in) from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(68,497)	(67,073)
Proceeds from disposal of financial assets at fair value through other comprehensive income	56,177	10,288
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	17,658	-
Acquisition of financial assets at fair value through profit or loss	-	(22,340)
Proceeds from disposal of financial assets at fair value through profit or loss	23,000	-
Proceeds from disposal of subsidiaries	-	(25,955)
Acquisition of property, plant and equipment	(95,974)	(17,683)
Proceeds from disposal of property, plant and equipment	82	-
(Increase) decrease in refundable deposits	(200)	177
Acquisition of intangible assets	(662)	(1,942)
Acquisition of investment properties	(4,359)	(66,463)
(Increase) decrease in other financial assets	(28,933)	226,239
Increase in other non-current assets	(21,550)	-
Dividends received	8,697	400
Net cash flows (used in) from investing activities	(114,561)	35,648
Cash flows used in financing activities:		
Increase in guarantee deposits received	4,551	4,200
Payment of lease liabilities	(4,151)	-
Cash dividends paid	(532,237)	(659,998)
Change in non-controlling interests	-	(2,742)
Net cash flows used in financing activities	(531,837)	(658,540)
Effect of exchange rate changes on cash and cash equivalents	(6,512)	(1,251)
Net increase (decrease) in cash and cash equivalents	(10,064)	51,802
Cash and cash equivalents at beginning of period	680,165	628,363
Cash and cash equivalents at end of period	\$ 670,101	680,165

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Adden Technology Co., Ltd. (the “Company”) was incorporated in January 23, 2007 as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company was registered in 10F, No.12, Lane 609, Sec 5, Chungshin Rd., Sanchung Dist., New Taipei City. The consolidated financial statements of the Company as of and for the year ended December 31, 2019 comprised the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The major business activities of the Group are online trade platform operation and services. Please refer to note 14 for related information on the Group entities’ main business activities. The Company’s common shares were listed on the Taipei Exchange (TPEx) since January 20, 2014.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2020.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(l).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of printer and a part of leases of office.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Group concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional \$6,178 thousands of right-of-use assets and \$6,178 thousands of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.50%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 12,094
Recognition exemption for:	
short-term leases	(1,272)
leases of low-value assets	(68)
contracts without a lease	(4,375)
	<u>\$ 6,379</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 6,178
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	<u>\$ 6,178</u>

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) IFRIC 23 “Uncertainty over Income Tax Treatments”

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The adoption of the IFRSs did not have any material impact on the Group’s consolidated financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.(hereinafter referred to as the “IFRS endorsed by the FSC”).

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.

(ii) Functional and presentation currency

The functional currency of each Group Entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the

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Addcn Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries listed in the consolidated financial statements are included as below.

Name of investor	Name of subsidiary	Principal activity	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
The Company	Addcn Technology (Samoa) Co., Ltd	Investment holdings	100.00 %	100.00 %	The Company directly owns 100% of its equity.
The Company	Digit Marketing Co., Ltd.	Advertising	33.29 %	33.29 %	The Company its lost control over it in October 2018. (Note 1)
Addcn Technology (Samoa) Co., Ltd	Addcn Technology (SHENZHEN) Co., Ltd.	Applied system management, maintenance and customer service	100.00 %	100.00 %	The Company indirectly owns 100% of its equity.
Addcn Technology (Samoa) Co., Ltd	Addcn Technology (HK) Co., Limited	Electronic information supply	70.00 %	70.00 %	The Company indirectly owns 70% of its equity. (Note 2)

Note 1: Digit Marketing Co., Ltd. conducted a capital increase by cash and retained part of its shares for its employees in September and October 2018, resulting in the Company's direct holding to decrease from 55% to 33.29%. Hence, the Company lost control over it, and no longer listed in the consolidated financial statements.

Note 2: Addcn Technology (HK) Co., Ltd. conducted a capital increase by cash and retained part of its shares for the Group's employees in September 2018, resulting in the Company's indirect holding to decrease from 100% to 70%.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 1 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 60 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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Adden Technology Co., Ltd. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 2 years past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

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Notes to the Consolidated Financial Statements

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(Continued)

Addcn Technology Co., Ltd. AND SUBSIDIARIES
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(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	50 years
2) Office equipment	1~5 years
3) Lease improvements	1~5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owneroccupied to investment property.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Leases

Applicable from January 1, 2019

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fix payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
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The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of printer and a part of office that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
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(ii) Leasee

Leases are operating leases and are not recognized in the Group's balance sheets. Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Trademarks and patents	6~10 years
2) Computer software	3~10 years
3) Customer relationships and databases	10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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Adden Technology Co., Ltd. AND SUBSIDIARIES
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(n) Impairment of non financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Online advertising platform services

The Group provides advertising services to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the actual advertising hours spent relative to the total expected advertising hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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Adden Technology Co., Ltd. AND SUBSIDIARIES
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In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

2) Commission

The Group only acts as a platform provider when it provides online trading platform services. Commission is received by a fixed proportion of transaction price when the buyer and seller confirm that the transaction is finished.

3) Sale of goods – clothes and boutiques

The Group sells wholesale clothes and boutiques on the Internet platform by retail. The Group recognizes revenue when a customer takes possession of the product. Payment of the transaction price is due immediately when the customer purchases the product.

4) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

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- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant-date fair value of the share based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

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Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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Adden Technology Co., Ltd. AND SUBSIDIARIES
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Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

For the assumptions and estimation uncertainties, there were no significant risk resulting in a material adjustment within the next financial year.

The Group's accounting policies includes measuring financial and non financial assets and liabilities at fair value through profit or loss.

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Adden Technology Co., Ltd. AND SUBSIDIARIES
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The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

Please refer to note 6(y) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash	\$ 209	153
Demand deposits and check deposits	<u>669,892</u>	<u>680,012</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 670,101</u>	<u>680,165</u>

Please refer to note 6(y) for the interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

- (b) Financial assets at fair value through profit or loss

	December 31, 2019	December 31, 2018
Financial asset designated at fair value through profit or loss:		
Structured Deposit	<u>\$ -</u>	<u>22,340</u>

- (i) Financial asset at fair value through profit or loss

The Group signed a three-month structured term deposit contract in 2018. The structured term deposit includes an embedded derivative not closely related to the host contract. The contract in its entirety is designated as financial assets at fair value through profit or loss at initial recognition.

- (ii) None of financial assets above are pledged as collateral for long-term borrowings.

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Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Debt investments at fair value through other comprehensive income:		
Corporate bonds –Citigroup Global Markets Inc.	\$ -	37,859
Corporate bonds –Formosa Group	-	18,334
Corporate bonds—Saudi Arabian Oil Company	17,294	-
Others	<u>14,762</u>	<u>14,158</u>
Subtotal	<u>32,056</u>	<u>70,351</u>
Equity Investments at fair value through other comprehensive income:		
Stocks listed on domestic markets	24,983	58,197
Stocks unlisted on foreign markets	103,638	92,130
Stocks unlisted on domestic markets	<u>98,629</u>	<u>45,324</u>
Subtotal	<u>227,250</u>	<u>195,651</u>
Total	<u>\$ 259,306</u>	<u>266,002</u>

(i) Debt investments at fair value through other comprehensive income

The Group has assessed that the following securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and by selling securities; therefore, they have been classified as debt investments at fair value through other comprehensive income.

On May 30, 2018, the Group sold its investments as a result of the Group's investment strategy. The investment sold had a fair value of \$10,288 thousand wherein the Group realized a gain of \$240 thousand, which has been reclassified from other equity to profit or loss.

The Group sold its investments as a result of the Group's investment strategy on August 14, 2019 and December 16, 2019. The investment sold had a fair value of \$37,146 thousand and \$19,031 thousand wherein the Group realized a gain of \$80 thousand and \$465 thousand, respectively, which has been reclassified from other equity to profit or loss.

(ii) Equity investments at fair value through other comprehensive income

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

During the years ended December 31, 2019 and 2018, the dividends of \$1,478 thousand and \$400 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

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Adden Technology Co., Ltd. AND SUBSIDIARIES
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There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2019 and 2018. The amounts received from the capital reduction by Bridge Roots Fund L.P. were \$12,952 thousand and \$4,706 thousand in January and August 2019, respectively.

- (iii) For credit risk (including the impairment of debt investments) and market risk, please refer to note 6(y).
- (iv) None of financial assets above are pledged as collateral for long-term borrowings.
- (d) Notes and trade receivables

	December 31, 2019	December 31, 2018
Notes receivables	\$ 4,045	45
Trade receivables	108,244	132,138
Less: Loss allowance	<u>(24,598)</u>	<u>(11,804)</u>
	<u>\$ 87,691</u>	<u>120,379</u>

- (i) The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

December 31, 2019			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 92,101	0%	4,410
1 to 60 days past due	193	25%~50%	193
More than 61 days past due	<u>19,995</u>	50%~100%	<u>19,995</u>
Total	<u>\$ 112,289</u>		<u>24,598</u>

December 31, 2018			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 110,970	0%	-
1 to 60 days past due	12,658	25%~50%	3,249
More than 61 days past due	<u>8,555</u>	100%	<u>8,555</u>
	<u>\$ 132,183</u>		<u>11,804</u>

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
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- (ii) The movement in the allowance for notes and trade receivables were as follows:

	For the years ended December 31	
	2019	2018
Balance at January 1	\$ 11,804	626
Impairment losses recognized	12,781	11,191
Amounts written off	-	(13)
Amounts reversed due to recovery	13	-
Balance at December 31	<u><u>\$ 24,598</u></u>	<u><u>11,804</u></u>

- (iii) The aforementioned notes and trade receivable of the Group had not been pledged as collateral for long-term borrowings.

- (e) Inventories

Inventories on December 31, 2019 and 2018 were categorized as follows:

	December 31, 2019	December 31, 2018
Merchandise	\$ -	13,116
Less: Loss allowance	-	(3,400)
	<u><u>\$ -</u></u>	<u><u>9,716</u></u>

As of December 31, 2019 and 2018, inventories recognized as cost of sales amounted to \$10,293 thousand and \$46,488 thousand.

The Group sold merchandise which cost was lower than its net realizable value; therefore, the group reversed write-downs amount and reduced the cost of goods sold for the years ended of 2019 and 2018 by \$680 thousand and \$5,700 thousand, respectively.

As of December 31, 2019 and 2018, the Group did not provide any inventories as collateral for its loans.

- (f) Investments accounted for using equity method

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2019	December 31, 2018
Carrying amount of individually insignificant associate's equity	<u><u>\$ 35,988</u></u>	<u><u>25,825</u></u>

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In 2019 and 2018, the Group's share of the net income of associate was as follows:

	<u>2019</u>	<u>2018</u>
Attributable to the Group:		
Profit from continuing operations	\$ 17,382	118
Other comprehensive income	-	-
Comprehensive income	<u>\$ 17,382</u>	<u>118</u>

The Group does not have any contingent liabilities arising from associate with other investor or for individual responsibility.

There is no significant restrictions to transfer financial resource from associate to the Group.

As of December 31, 2019 and 2018, the Group did not provide any investments accounted for using the equity method as collateral for its loans.

(g) Changes in a parent's ownership interest in a subsidiary

Digit Marketing Co., Limited (hereinafter referred to Digit Marketing) approved a resolution to issue 400 thousand common stocks by cash and retained part of its shares for the employees on September 2018, which reduced the Group's direct holding from 55% to 53.27%. In October 2018, Digit Marketing issued another common stocks by cash, resulting in the loss control of the Group over Digit Marketing. Please refer to note 6(h) for further details.

Addcn Technology (HK) Co., Limited approved a resolution to issue 2,786 thousand common stocks by cash and retained part of its shares for Group's employees on September 2018, resulting in the Company's indirect holding to decrease from 100% to 70%.

The effect of change in equity of subsidiary ownership attributable to parent equity is stated as follow:

	<u>2018</u>	
	<u>Digit Marketing Co., Limited</u>	<u>Addcn Technology (HK) Co., Limited</u>
Capital equity-changes in ownership interest	\$ 374	4,746
Other equity -exchange differences on translation of foreign financial statements	-	620
Retained earnings reduction	<u>\$ 374</u>	<u>5,366</u>

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(h) Loss control of subsidiaries

In October 2018, Digit Marketing approved a capital increase by cash by issuing 900 thousand shares, with a portion of it being reserved for employee stock option, resulting in share percentage of the Group in Digit Marketing to decrease from 53.27% to 33.29%; hence, losing control over Digit Marketing. Thereafter, the Group remeasured the difference between the fair value of its investment in Digit Marketing amounting to \$25,066 thousand and the carrying amount in other gains of \$1,681 thousand and recognized it as other gains and losses in its consolidated statement of comprehensive income.

The carrying amount of assets and liabilities of Digit Marketing on the date of disposal was as follow:

Cash and cash equivalents	\$ 25,955
Trade receivables and other receivables	47,125
Other current assets	1,426
Property, plant and equipment	2,149
Intangible assets	278
Other non-current assets	58
Trade payables and other payables	(25,440)
Other current liabilities	(7,410)
Carrying amount of net assets	<u><u>\$ 44,141</u></u>

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2019	\$ 131,656	607,878	88,576	9,327	-	837,437
Additions	31,310	36,400	8,478	7,286	12,500	95,974
Reclassification	9,318	4,280	-	-	-	13,598
Disposals	-	-	(1,843)	-	-	(1,843)
Effect of movement in exchange rates	-	(17,889)	(631)	(19)	-	(18,539)
Balance at December 31, 2019	<u>\$ 172,284</u>	<u>630,669</u>	<u>94,580</u>	<u>16,594</u>	<u>12,500</u>	<u>926,627</u>
Balance at January 1, 2018	\$ 155,980	632,435	75,103	9,830	-	873,348
Additions	-	106	16,069	1,508	-	17,683
Reclassification	(24,324)	(13,454)	-	-	-	(37,778)
Disposals	-	-	(2,272)	(2,011)	-	(4,283)
Effect of movement in exchange rates	-	(11,209)	(324)	-	-	(11,533)
Balance at December 31, 2018	<u>\$ 131,656</u>	<u>607,878</u>	<u>88,576</u>	<u>9,327</u>	<u>-</u>	<u>837,437</u>

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	<u>Land</u>	<u>Buildings and constructions</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
Depreciation and impairments losses:						
Balance at January 1, 2019	\$ -	41,776	65,037	9,327	-	116,140
Depreciation	-	18,238	11,795	949	-	30,982
Reclassification	-	(450)	-	-	-	(450)
Disposals	-	-	(1,555)	-	-	(1,555)
Effect of movement in exchange rates	-	(1,185)	(378)	(5)	-	(1,568)
Balance at December 31, 2019	\$ -	<u>58,379</u>	<u>74,899</u>	<u>10,271</u>	-	<u>143,549</u>
Balance at January 1, 2018	\$ -	26,970	56,909	9,555	-	93,434
Depreciation	-	17,161	9,721	442	-	27,324
Reclassification	-	(1,889)	-	-	-	(1,889)
Disposals	-	-	(1,418)	(670)	-	(2,088)
Effect of movement in exchange rates	-	(466)	(175)	-	-	(641)
Balance at December 31, 2018	\$ -	<u>41,776</u>	<u>65,037</u>	<u>9,327</u>	-	<u>116,140</u>
Carrying amounts:						
Balance at December 31, 2019	\$ <u>172,284</u>	<u>572,290</u>	<u>19,681</u>	<u>6,323</u>	<u>12,500</u>	<u>783,078</u>
Balance at December 31, 2018	\$ <u>131,656</u>	<u>566,102</u>	<u>23,539</u>	-	-	<u>721,297</u>
Balance at January 1, 2018	\$ <u>155,980</u>	<u>605,465</u>	<u>18,194</u>	<u>275</u>	-	<u>779,914</u>

As of December 31, 2019 and 2018, the Group did not provide any property, plant and equipment as collateral for its loan.

Disposals in 2018 included the derecognition of property, plants and equipment, with the carrying amount of \$2,149 thousand, resulting from the loss of control over Digit Marketing. For related information, please refer to note 6(h).

(j) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 1 to 3 years. For all investment property leases, the rental income is fixed under the contracts.

	<u>Owned property</u>		
	<u>Land</u>	<u>Buildings and constructions</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2019	\$ 82,693	40,506	123,199
Additions	-	4,359	4,359
Reclassification	(11,357)	(2,338)	(13,695)
Balance at December 31, 2019	\$ <u>71,336</u>	<u>42,527</u>	<u>113,863</u>
Balance at January 1, 2018	\$ 11,421	7,537	18,958
Additions	46,948	19,515	66,463
Reclassification	24,324	13,454	37,778
Balance at December 31, 2018	\$ <u>82,693</u>	<u>40,506</u>	<u>123,199</u>

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Adden Technology Co., Ltd. AND SUBSIDIARIES
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	Owned property		
	Land	Buildings and constructions	Total
Depreciation and impairments losses:			
Balance at January 1, 2019	\$ -	4,012	4,012
Depreciation	-	2,000	2,000
Reclassification	-	450	450
Balance at December 31, 2019	<u>\$ -</u>	<u>6,462</u>	<u>6,462</u>
Balance at January 1, 2018	\$ -	924	924
Depreciation	-	1,199	1,199
Reclassification	-	1,889	1,889
Balance at December 31, 2018	<u>\$ -</u>	<u>4,012</u>	<u>4,012</u>
Carrying amount:			
Balance at December 31, 2019	<u>\$ 71,336</u>	<u>36,065</u>	<u>107,401</u>
Balance at December 31, 2018	<u>\$ 82,693</u>	<u>36,494</u>	<u>119,187</u>
Balance at January 1, 2018	<u>\$ 11,421</u>	<u>6,613</u>	<u>18,034</u>
Fair value:			
Balance at December 31, 2019		\$ <u>111,274</u>	
Balance at December 31, 2018		\$ <u>117,195</u>	

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains a 1 to 3 years non-cancellable period. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information (including rental income and related operating expenses) please refer to note 6(o).

Due to loss of control over Digit Marketing, the Group reclassified its office to investment property which was leased to Digit Marketing.

The fair value stated above was according to the latest transaction data announced on the website of Department of Land Administration Ministry of the Interior.

As of December 31, 2019 and 2018, the Group did not provide any investment property as collateral for long-term borrowings.

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(k) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows:

	Goodwill	Brand/Trade marks	Client relationship/ Database/S18 computer system	Others	Total
Cost:					
Balance at January 1, 2019	\$ 58,000	27,818	59,208	7,921	152,947
Additions	-	-	-	662	662
Others	-	(162)	-	-	(162)
Effect of movement in exchange rates	-	-	-	(91)	(91)
Balance at December 31, 2019	<u>\$ 58,000</u>	<u>27,656</u>	<u>59,208</u>	<u>8,492</u>	<u>153,356</u>
Balance at January 1, 2018	\$ 58,000	27,818	59,208	6,539	151,565
Additions	-	-	-	1,942	1,942
Disposals	-	-	-	(516)	(516)
Effect of movement in exchange rates	-	-	-	(44)	(44)
Balance at December 31, 2018	<u>\$ 58,000</u>	<u>27,818</u>	<u>59,208</u>	<u>7,921</u>	<u>152,947</u>
Accumulated amortization and impairment losses					
Balance at January 1, 2019	\$ -	12,409	25,163	4,049	41,621
Amortization	-	2,680	5,921	1,125	9,726
Others	-	(162)	-	-	(162)
Effect of movement in exchange rates	-	-	-	(37)	(37)
Balance at December 31, 2019	<u>\$ -</u>	<u>14,927</u>	<u>31,084</u>	<u>5,137</u>	<u>51,148</u>
Balance at January 1, 2018	\$ -	9,729	19,243	3,442	32,414
Amortization	-	2,680	5,920	858	9,458
Disposals	-	-	-	(238)	(238)
Effect of movement in exchange rates	-	-	-	(13)	(13)
Balance at December 31, 2018	<u>\$ -</u>	<u>12,409</u>	<u>25,163</u>	<u>4,049</u>	<u>41,621</u>
Carrying value:					
Balance at December 31, 2019	<u>\$ 58,000</u>	<u>12,729</u>	<u>28,124</u>	<u>3,355</u>	<u>102,208</u>
Balance at December 31, 2018	<u>\$ 58,000</u>	<u>15,409</u>	<u>34,045</u>	<u>3,872</u>	<u>111,326</u>
Balance at January 1, 2018	<u>\$ 58,000</u>	<u>18,089</u>	<u>39,965</u>	<u>3,097</u>	<u>119,151</u>

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Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Amortization expense

The amortization of intangible assets is included in the statement of comprehensive income:

	<u>2019</u>	<u>2018</u>
Operating expenses	\$ <u>9,726</u>	<u>9,458</u>

(ii) Impairment test of goodwill

Goodwill arising from the acquisition of 518 Technology Co., Ltd. on January 1, 2015 was mainly attributable to the expected benefit derived from the operating revenue growth of 518 Human Resource. According to IAS 36, goodwill acquired in a business combination is tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the acquirer's cash-generating units that are expected to benefit from the synergies of the combination. 518 Human Resource itself is a separate cash-generating unit that can generate independent cash inflows; therefore, goodwill is tested for impairment by comparing the recoverable amount of 518 Human Resource with its carrying amount to determine whether an impairment loss should be recognized.

The Group obtains the customers of 518 Technology Co., Ltd. through acquisition. It is expected to bring synergy to other platforms of the Group. Enhance the Group's brand effectiveness, increase the opportunities for cross promotion among platforms. It is expected to bring synergy to other platforms of the Group. Enhance the Group's brand effectiveness, increase the opportunities for cross-promotion among platforms.

Based on the result of impairment test, the recoverable amount of 518 Human Resource was greater than its carrying amount; thus, no impairment loss was recognized.

The recoverable amount of 518 Human Resource was based on its value-in-use, determined by discounting the future cash flows to be generated from the continuing use of 518 Human Resource. The key assumptions used in the estimation of value-in-use were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	10.94 %	11.91 %

The discount rate was a pre-tax measure based on the capital asset pricing model, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

(iii) Guarantee

As of December 31, 2019 and 2018, the intangible asset of the Group had not been pledged as collateral for long term borrowings.

(iv) Disposals in 2018 included derecognition of intangible asset with the carrying amount of \$278 thousand, resulted from the loss of control over Digit Marketing. Please refer to note 6(h) for further details.

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(l) Other financial assets

Other financial assets of the Group were as follows:

	December 31, 2019	December 31, 2018
Time deposits due within one year	\$ 126,140	109,136
Other receivables	2,534	9,408
Current restricted assets	<u>441,265</u>	<u>429,336</u>
	<u>\$ 569,939</u>	<u>547,880</u>

Current restricted assets mainly consist of time deposits pledged as collateral and receipts under custody from transaction between members on 8591 Virtual Treasure Trade. Please refer to note 8 for the information of pledged assets.

(m) Other current assets and other non-current assets

Other current assets and other non-current assets were as follows:

	December 31, 2019	December 31, 2018
Current prepaid expense	\$ 5,691	12,085
Current temporary payments	<u>11,105</u>	<u>9,220</u>
Subtotal	<u>16,796</u>	<u>21,305</u>
Guarantee deposits paid	1,156	956
Right-of-use asset	12,336	-
Non-current prepaid expense	<u>21,550</u>	<u>-</u>
Subtotal	<u>35,042</u>	<u>956</u>
Total	<u>\$ 51,838</u>	<u>22,261</u>

(i) Current prepaid expense

Current prepaid expense mainly consists of system usage fee, domain service fee and insurance.

(ii) Current temporary payments

Temporary payments consist of payment from online payment and collection on behalf of others on 8591 Virtual Treasure Trade and others.

(iii) Non-current prepaid expense

Non-current prepaid expense consists of down payment on office space.

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(n) Other payables and Receipts under custody

Other payables and Receipts under custody were as follows:

	December 31, 2019	December 31, 2018
Current tax liabilities	\$ 72,772	76,409
Employee compensation payable	51,800	54,885
Compensation due to directors and supervisors	7,400	7,323
Wages and salaries payable	117,292	112,315
Expenses payable	35,169	41,616
Other	<u>3,570</u>	<u>10,264</u>
Subtotal	288,003	302,812
Receipts under custody	<u>427,202</u>	<u>427,355</u>
Total	<u><u>\$ 715,205</u></u>	<u><u>730,167</u></u>

Receipts under custody are collection on behalf of others which are not retrieved from member transaction on 8591 Virtual Treasure Trade. The collection is deposited in individual trust accounts of E. Sun Bank and other bank accounts.

(o) Operating lease

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018
Less than one year	\$ 7,492
Between one and five years	<u>4,602</u>
	<u><u>\$ 12,094</u></u>

The Group leases office building and broadband network under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

(ii) Leases as lessor

The Group leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(j) sets out information about the operating leases of investment property.

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A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2019
Less than one year	\$ 2,090
One to two years	380
	<u>\$ 2,470</u>

The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018
Less than one year	\$ 1,634
Between one and five years	800
	<u>\$ 2,434</u>

Rental income from investment property was \$2,901 thousand and \$1,132 thousand for 2019 and 2018, respectively.

(p) Employee benefits

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The pension benefit obligation of Addcn Technology (Shenzhen) Co., Ltd. is a defined contribution plan. Addcn (Shenzhen) contributes and deposits insurance money to its employee's endowment insurance account, which is totally separated from the company. The account transfers, as long as the employee leaves and the money contributed, should be recognized as current expense. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs amounted to \$19,156 thousand and \$15,911 thousand for the years ended December 31, 2019 and 2018, respectively.

(q) Income tax

(i) Income tax expense

The components of income tax in the years 2019 and 2018 were as follows:

	2019	2018
Current tax expense		
Current period	\$ 145,545	148,336
Adjustment for prior periods	91	(112)
	<u>145,636</u>	<u>148,224</u>

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	<u>2019</u>	<u>2018</u>
Deferred tax expense		
Origination and reversal of temporary differences	9,066	3,703
Adjustment in tax rate	<u>-</u>	<u>(4,078)</u>
	9,066	(375)
Tax expense	<u><u>\$ 154,702</u></u>	<u><u>147,849</u></u>

For the years ended December 31, 2019 and 2018, there was no income tax recognized in equity or other comprehensive income.

Reconciliation of income tax and profit before tax for 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Profit excluding income tax	\$ 755,554	753,653
Income tax using the company's domestic tax rate	151,110	150,731
Effect of tax rates in foreign jurisdiction	1,097	-
Tax-exempt income	(3,772)	-
Change in unrecognized temporary differences	5,590	-
Adjustment in tax rate	-	(4,078)
Others	<u>677</u>	<u>1,196</u>
	<u><u>\$ 154,702</u></u>	<u><u>147,849</u></u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2019 and 2018. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Unrecognized deferred tax liabilities	<u><u>\$ 4,524</u></u>	<u><u>3,224</u></u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Tax effect of deductible temporary differences	\$ 10,427	4,922
The carryforward of unused tax losses	<u>12,211</u>	<u>12,330</u>
	<u><u>\$ 22,638</u></u>	<u><u>17,252</u></u>

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The tax loss is determined by the Income Tax Act of each jurisdiction. The Inland Revenue Department of Hong Kong allows net losses, as assessed by the tax authorities, to offset taxable income for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

(iii) Recognized deferred tax assets and liabilities

Change in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	Unrealized loss on valuation of inventories	Loss on investment	Others	Total
Deferred tax assets:				
Balance at January 1, 2019	\$ 680	20,294	3,297	24,271
Recognized in profit or loss	(680)	(8,294)	(24)	(8,998)
Effect of movement in exchange rates	-	-	(28)	(28)
Balance at December 31, 2019	<u>\$ -</u>	<u>12,000</u>	<u>3,245</u>	<u>15,245</u>
Balance at January 1, 2018	\$ 1,547	20,522	2,018	24,087
Recognized in profit or loss	(867)	(228)	1,296	201
Effect of movement in exchange rates	-	-	(17)	(17)
Balance at December 31, 2018	<u>\$ 680</u>	<u>20,294</u>	<u>3,297</u>	<u>24,271</u>
				Others
Deferred tax liabilities:				
Balance at January 1, 2019			\$ (13)	
Recognized in profit or loss			(68)	
Balance at December 31, 2019			<u>\$ (81)</u>	
Balance at January 1, 2018			\$ (187)	
Recognized in profit or loss			174	
Balance at December 31, 2018			<u>\$ (13)</u>	

(iv) Assessment of tax

The Company's tax returns for the years through 2017 were assessed by the tax authority. The tax returns for Adden Technology (SHENZHEN) Co., Ltd. and Adden Technology (HK) Co., Ltd. were declared to local tax authority for the years through 2018.

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(r) Capital and other equity

As of December 31, 2019 and 2018, the total value of authorized ordinary shares were both amounted to \$500,000 thousand with par value of \$10 per share and the contributed capital were amounted to \$425,755 thousand and \$425,790 thousand, respectively.

Reconciliation of shares outstanding for 2019 and 2018 were as follows:

(in thousand shares)

	Ordinary share	
	2019	2018
Balance on January 1	42,579	42,581
Retirement of restricted employee stock	(3)	(2)
Balance on December 31	<u>42,576</u>	<u>42,579</u>

(i) Ordinary share

In 2019 and 2018, the Company cancelled 3 thousand and 2 thousand shares since the employee did not achieve the vesting conditions of restricted employee stock.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Share premium	\$ 338,956	408,611
Restricted employee stock	-	10,294
Employee share options	2,269	2,269
Changes in equity of associated and joint ventures accounted for using equity method	641	641
	<u>\$ 341,866</u>	<u>421,815</u>

At the general meeting of shareholders held on June 20, 2019 and June 14, 2018, the Company approved a resolution to distribute \$80,900 thousand and \$149,032 thousand from capital surplus of share premium as cash dividend of \$1.9 and \$3.5 per share, respectively.

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

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(iii) Retained earnings

According to the Company's article of incorporation amended on June 20, 2019, the Company's annual net profit shall first pay taxes, offset accumulated deficits, and then allocate 10% thereof as legal reserve. However, where such legal reserve amounts reach to the total authorized capital, this provision shall not apply. In consideration of the operation needs and relative laws and regulations, the Company shall allocate special reserve. If there are remaining profits after paying share dividends, the profits shall be added with any accumulated unappropriated earnings from prior years, and the Board of Directors shall propose an earnings distribution plan for the resolution of the general meeting of shareholders.

The Company is in the stage of enterprise growth. The dividends will be, and will be distributed in the types of stock dividends or cash dividend, which will be determined moderately according to the future capital demand and equity dilution. The cash dividends shall not be less than 10% of the total dividends in principle. However, the type and ratio of this surplus distribution shall depend on the actual profit and capital status of the year, and shall be approved by the resolution of the Shareholders' meeting.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2019 and 2018, the balance of special earnings reserve were \$200,278 thousand and 121,582 thousand.

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3) Earnings Distribution

Earnings distribution for 2018 and 2017 was decided by the resolution adopted, at the general meeting of shareholders held on June 20, 2019 and June 14, 2018, respectively. The relevant dividend distributions to shareholders were as follow:

	2018		2017	
	Dividend per Share	Amount (thousand)	Dividend per Share	Amount (thousand)
Dividends distributed to common shareholders:				
Cash	\$ 10.60	<u>451,337</u>	12.00	<u>510,966</u>

On March 12, 2020, the Company resolved to appropriate the 2019 earnings to its shareholders with the cash dividend amounting to \$12.2 dollar per share and a share premium of \$0.6 dollar per share from capital surplus.

(iv) Other equity (net of taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial asset measured at fair value through over comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total
Balance at January 1, 2019	\$ (80,934)	(119,343)	-	(2,278)	(202,555)
Exchange differences of net asset in foreign operations	(22,795)	-	-	-	(22,795)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(704)	-	-	(704)
Share-based payment	-	-	-	2,278	2,278
Balance at December 31, 2019	<u>\$ (103,729)</u>	<u>(120,047)</u>	<u>-</u>	<u>-</u>	<u>(223,776)</u>
Balance at January 1, 2018	\$ (69,437)	-	(52,143)	(15,487)	(137,067)
Effects of retrospective application	-	(49,695)	52,143	-	2,448
Balance at January 1, 2018 after adjustments	(69,437)	(49,695)	-	(15,487)	(134,619)
Exchange differences of net asset in foreign operations	(11,497)	-	-	-	(11,497)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(69,648)	-	-	(69,648)
Share-based payment	-	-	-	12,910	12,910
Retirement of restricted employee stock	-	-	-	299	299
Balance at December 31, 2018	<u>\$ (80,934)</u>	<u>(119,343)</u>	<u>-</u>	<u>(2,278)</u>	<u>(202,555)</u>

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(s) Share-based payment

The Board of Directors' meeting on June 16, 2016, the Company decided to award 737 thousand new shares of restricted stock to those full-time employees whose performance assessment was excellent. The restricted stock which has been registered and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. would be issued in different times. On September 19, 2016, the Board of Directors issued 320 thousand shares of the restricted stock. The record date for the capital increase through issuance of restricted shares was October 14, 2016.

Those employees with the restricted stock awards are entitled to obtain complimentary share with the condition that these employees achieve the performance and continue to provide service to the Company for at least 3 years (from the grant date). 40% of the restricted stock is vested in year 1 after the grant date; 40% is vested in year 2 after the grant date and the remaining 20% is vested in year 3 after the grant date.

If these employees who obtain the restricted stock awards violate Regulations Governing Issuance of Restricted Stock Awards in 2016, employment contract, confidential contract, trust contract, Ethical Corporate Management Best Practice Principles, Codes of Ethical Conduct, the Rules of Information Security, Work Rules, and so on, the Company will repurchase all the unvested shares without charge, and cancel the shares thereafter.

These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period, except for inheritance. The voting rights of these shareholders are executed by the custodian, and the custodian will act based on law and regulations. The rights of shares are the same as issued ordinary share, except for the above restrictions.

As of December 31, 2019 and 2018, balance of employee unearned revenue with \$0 thousand and \$2,278 thousand; expense from issue restricted stock awards with \$3,194 thousand and \$14,546 thousand.

Digit Marketing Co., Ltd. and Addcn Technology (HK) Co., Ltd. conducted cash offering and retained part of its shares for the Group's employees in September, 2018. The expense from the share which the Company's employee subscribed was \$2,269 thousand.

(t) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders of the Company	\$ <u>601,159</u>	<u>595,540</u>
Weighted average number of ordinary shares (thousand shares)	<u>42,529</u>	<u>42,417</u>
Basic earnings per share (NT dollars)	\$ <u>14.14</u>	<u>14.04</u>

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	<u>2019</u>	<u>2018</u>
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the Company	\$ <u>601,159</u>	<u>595,540</u>
Weighted average number of ordinary shares (thousand shares)	42,529	42,417
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	254	274
Effect of restricted employee shares unvested	<u>48</u>	<u>50</u>
Weighted average number of ordinary shares (diluted)	<u>42,831</u>	<u>42,741</u>
Diluted earnings per share (NT dollars)	<u>\$ 14.04</u>	<u>13.93</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Taiwan	\$ 1,413,137	1,430,087
Other	<u>54,894</u>	<u>48,657</u>
	<u>\$ 1,468,031</u>	<u>1,478,744</u>
Major products/services lines:		
Revenue of internet service	\$ 1,125,981	1,056,875
Online advertising solicitation	-	12,114
Platform commission income	330,858	345,150
Product sales	<u>11,192</u>	<u>64,605</u>
	<u>\$ 1,468,031</u>	<u>1,478,744</u>

For the year ended December 31, 2019 and 2018, revenue from e-commerce was \$1,366,718 thousand and \$1,363,006 thousand, which were 93% and 92% of total revenue, respectively.

(ii) Contract balances

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Trade receivable	\$ 112,289	132,183	163,313
Less: allowance for impairment	<u>(24,598)</u>	<u>(11,804)</u>	<u>(626)</u>
	<u>\$ 87,691</u>	<u>120,379</u>	<u>162,687</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liability-Revenue of internet service	\$ 211,590	199,303	188,094
Contract liability-online advertising solicitation	<u>-</u>	<u>50</u>	<u>1,054</u>
	<u>\$ 211,590</u>	<u>199,353</u>	<u>189,148</u>

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For details on trade receivable and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were \$199,448 thousand and \$189,249 thousand, respectively.

(v) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation amended on June 20, 2019, where the Company has earnings in a giving year, the Company shall allocate 1% or above of earnings as staff remunerations, 3% or below as Directors and Supervisors remunerations. However, if there is still accumulated loss of the Company, the Company shall reserve the compensation amount in advance.

The persons who are entitled to receive cash or shares as staff remuneration stipulated in the preceding paragraph including the employees of parents or subsidiaries of the Company meeting certain specific requirements.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration and directors' and supervisors' remuneration amounting as following:

	2019	2018
Employee compensation	\$ 51,800	54,860
Directors' and supervisors' remuneration	7,400	7,323
	\$ 59,200	62,183

The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018. Related information would be available at the Market Observation Post System website.

(w) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	2019	2018
Interest income	\$ 4,919	6,117
Rent income	2,901	1,132
Dividend income	1,478	400
Handling charge	8,344	9,583
Other income , others	2,579	8,179
	\$ 20,221	25,411

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(ii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2019</u>	<u>2018</u>
Losses on disposals of property, plant and equipment	\$ (206)	(41)
Gains on disposals of investments	545	1,921
Foreign exchange gains (losses)	849	(1,232)
Gains on financial assets at fair value through profit or loss	189	-
Miscellaneous disbursements	<u>(279)</u>	<u>(784)</u>
	<u>\$ 1,098</u>	<u>(136)</u>

(iii) Finance costs

The details of finance costs were as follows:

	<u>2019</u>	<u>2018</u>
Interest expense	<u>\$ 289</u>	<u>-</u>

(x) Reclassification adjustments of components of other comprehensive income

The details of reclassification adjustments of components of other comprehensive income were as follows:

	<u>2019</u>	<u>2018</u>
Debt instruments at fair value through other comprehensive income		
Net change in fair value	\$ 584	(2,679)
Net change in fair value reclassified to profit or loss	<u>(545)</u>	<u>(240)</u>
Net change in fair value recognized in other comprehensive income	<u>\$ 39</u>	<u>(2,919)</u>

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Adden Technology Co., Ltd. AND SUBSIDIARIES
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(y) Financial instrument

(i) Type of financial instrument

1) Financial assets

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Financial assets designated as at fair value through profit or loss	\$ -	22,340
Financial assets at fair value through other comprehensive income	259,306	266,002
Amortized cost financial assets:		
Cash and cash equivalents	670,101	680,165
Notes and trade receivables	87,691	120,379
Trade receivable due from related parties	64,777	20,781
Other financial assets	569,939	547,880
Subtotal	<u>1,392,508</u>	<u>1,369,205</u>
Total	<u>\$ 1,651,814</u>	<u>1,657,547</u>

2) Financial liabilities

	December 31, 2019	December 31, 2018
Financial liabilities measured at amortized cost:		
Notes and trade payables	\$ 205	3,713
Other payables	288,003	302,812
Receipts under custody	427,202	427,355
Total	<u>\$ 715,410</u>	<u>733,880</u>

(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As the Group has a large customer base and does not have a significant concentration of transactions with a single customer, the credit risk of accounts has no significant concentration.

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(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Contractual cash flows</u>	<u>Within 6 months</u>
December 31, 2019		
Non-derivative financial liabilities		
Notes and trade payables	\$ 205	205
Other payables	288,003	288,003
Receipts under custody	<u>427,202</u>	<u>427,202</u>
	<u><u>\$ 715,410</u></u>	<u><u>715,410</u></u>
December 31, 2018		
Non-derivative financial liabilities		
Notes and trade payables	\$ 3,713	3,713
Other payables	302,812	302,812
Receipts under custody	<u>427,355</u>	<u>427,355</u>
	<u><u>\$ 733,880</u></u>	<u><u>733,880</u></u>

(iv) Currency risk

1) Exposure to foreign currency risk

The Group did not face significant exposure to foreign currency risk on financial assets and liabilities.

(v) Interest rate analysis

The Group's financial asset and liabilities did not face risk exposure to interest rate, please refer to the notes on liquidity risk management of the Group's financial assets and liabilities.

(vi) Other market price risk

For the years ended December 31, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	<u>2019</u>		<u>2018</u>	
<u>Price of securities at the reporting date</u>	<u>Other comprehensive income after tax</u>	<u>Net income</u>	<u>Other comprehensive income after tax</u>	<u>Net income</u>
Increasing 1%	<u>\$ 2,273</u>	<u>-</u>	<u>1,957</u>	<u>-</u>
Decreasing 1%	<u>\$ (2,273)</u>	<u>-</u>	<u>(1,957)</u>	<u>-</u>

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(vii) Information of fair value

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

December 31, 2019					
	Book Value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks in domestic listed company	\$ 24,983	-	24,983	-	24,983
Stock in unlisted company	202,267	-	-	202,267	202,267
Funds investments	14,762	14,762	-	-	14,762
Bonds investments	17,294	17,294	-	-	17,294
Total	\$ 259,306	32,056	24,983	202,267	259,306
December 31, 2018					
	Book Value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets designated as at fair value through profit or loss	\$ 22,340	-	22,340	-	22,340
Financial assets at fair value through other comprehensive income					
Stocks in domestic listed company	58,197	-	58,197	-	58,197
Stocks in unlisted company	137,454	-	-	137,454	137,454
Funds investments	14,158	14,158	-	-	14,158
Bonds investments	56,193	56,193	-	-	56,193
Total	\$ 288,342	70,351	80,537	137,454	288,342

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2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quoted price of a financial instrument obtained from major exchanges and over-the counter markets are the basis used to determine the fair value of a listed company's stock and the quoted prices in an active market.

In addition, the fair value of a private equity instrument is measured by its market value, taking its non-active-market liquidity discount into consideration by adjusting its market value using its put option. The main assumption is that when an investor hold such a restricted equity instrument, the investor can buy a put option, with the strike price equivalent to the market value of such restricted equity instrument, to ensure that the investor can still sell its instrument at current market price after termination of restricted trading period. Therefore, the value of its put option, which is measured by using the Black-Scholes model, stands for the cost that the investor is willing to pay in order to ensure the liquidity of equity security market.

The Group uses the following methods in determining the fair value of its financial instruments without a quoted price in an active market:

Financial assets at FVOCI- non-current are investments in non-listed stock. The fair value is based on the market approach of comparable business. For non-listed stock, the price is based on the estimated earnings before interest, taxes, depreciation, and amortization of investee and the quoted price in an active market of comparable companies. The estimated fair value is adjusted for the lack of liquidity.

Financial assets at FVOCI- non-current are investments in non-listed stock. The fair value is based on discounted cash flow method. The main assumption is that the expected future cash flow of the investee will be measured at a discount rate that reflects the time value of money and investment risk.

3) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income Unquoted equity instruments
Opening balance, January 1, 2019	\$ 137,454
Total gains and losses recognized	
In profit or loss	-
In other comprehensive income	32,471
Purchased	50,000
Cash refund capital reduction	(17,658)
Ending Balance, December 31, 2019	\$ <u><u>202,267</u></u>

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	<u>Fair value through other comprehensive income Unquoted equity instruments</u>
Opening balance, January 1, 2018	\$ 59,576
Total gains and losses recognized	
In profit or loss	-
In other comprehensive income	10,805
Purchased	<u>67,073</u>
Ending Balance, December 31, 2018	<u>\$ 137,454</u>

For the years ended December 31, 2019 and 2018, total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	<u>2019</u>	<u>2018</u>
Total gains and losses recognized		
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ 32,471	13,253

- 4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through other comprehensive income – equity security investments”.

Most of fair value that use Level 3 have single significant unobservable inputs, only measurements of fair value of equity instruments without an active market had several significant unobservable inputs. Due to independence of significant unobservable inputs in equity instruments without an active market, there were no exist correlation between each other.

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Quantified information of significant unobservable inputs was as follows :

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investments without an active market	Comparable company analysis	· P/B ratio (0.79~20.98 and 2.23~14.02 on December 31, 2019 and 2018, respectively) · P/E ratio (15.36~19.82 on December 31, 2018) · Lack-of-Marketability Discount (19.88%~37.09% and 9.54%~48.04% on December 31, 2019 and 2018, respectively)	The estimated fair value would increase (decrease) if: · The P/B ratio were higher (lower); · The P/E ratio were higher (lower); · Lack-of-Marketability discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Binomial options pricing model	· Volatility (37.11% on December 31, 2019) · Equity Value (8.29 on December 31, 2019)	The estimated fair value would increase (decrease) if: · The volatility were lower (higher); · The equity value were higher (lower).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net asset valuation method	· Net asset valuation	Not applicable

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5) Fair value measurements in Level 3– sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

			Profit or loss		Other comprehensive income	
	Inputs	Variation	Favourable	Unfavourable	Favourable	Unfavourable
December 31, 2019						
Financial assets fair value through other comprehensive income						
Investment in equity instrument without active market	P/B ratio	5%	-	-	1,976	(1,975)
	Lack-of-Market ability discount	1%	-	-	629	(628)
	Volatility	1%	-	-	680	(690)
	Equity value	5%	-	-	590	(600)
December 31, 2018						
Financial assets fair value through other comprehensive income						
Investment in equity instrument without active market	P/B ratio	5%	-	-	450	(451)
	P/E ratio	5%	-	-	658	(658)
	Lack-of-Market ability discount	1%	-	-	315	(315)

(z) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has responsibility for the establishment and oversight of the risk management framework. Internal Audit is responsible for identifying and analyzing the risk faced by the Group. The heads of departments set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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The supervisors and independent directors oversee how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The supervisors and independent directors are assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the supervisors and independent directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

1) Trade and other receivable

The group's expose of risk are affect by the individual status of each client. The management also considerate the statistics of the client basic data, including default risk of industry and country, these factor might affect credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (NTD), Hong Kong Dollar (HKD), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, USD, HKD, and CNY.

2) Other market price risk

The financial assets at fair value through other comprehensive income held by the Group are invested in stocks in domestic listed company and stocks in unlisted company. Because those are measured at fair value, the Group exposed to changes in the equity price. To manage market risk, the Group need to choose investment targets carefully and control the positions the Group held.

(aa) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity.

The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 976,472	968,341
Less: cash and cash equivalents	<u>670,101</u>	<u>680,165</u>
Net debt	<u>\$ 306,371</u>	<u>288,176</u>
Total equity	<u>\$ 1,771,100</u>	<u>1,723,089</u>
Debt-to-equity ratio at December 31	<u>17.30 %</u>	<u>16.72 %</u>

The debt to equity ratio had increased on December 31, 2019 due to the net increase in liabilities resulting from the recognition of lease liabilities since the Group adopted the IFRS 16 this year.

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(ab) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow to acquire right-of-use assets in the years ended December 31, 2019.

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes				December 31, 2019
			Acquisition	Foreign exchange movement	Fair value changes	Others	
Lease liabilities	\$ 6,178	(4,151)	-	(49)	-	10,428	12,406
Total liabilities from financing activities	\$ 6,178	(4,151)	-	(49)	-	10,428	12,406

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Digit Marketing Co., Ltd.	An associate of the Group
Element III Venture Capital Co., Ltd.	Same chairman with the Company

(b) Significant transactions with related parties

- (i) The Company lost control over Digit Marketing Co., Ltd on October 22, 2018. From January 1 to October 22, 2018, Digit Marketing was still listed in the consolidated financial statements; therefore, the profit and loss arising from transactions with Digit Marketing during the period was eliminated in the consolidated financial statements.
- (ii) The amounts of services provided by the Group to related parties and trade receivable due to related parties were as follows:

	Sale amounts		Trade receivable	
	2019	2018	December 31, 2019	December 31, 2018
Associate-Digit Marketing	\$ 91,068	4,949	64,777	20,781

The Group entered into an advertising sales contract and data use contract with Digit Marketing amounting to \$91,068 thousand in September 2019, with the contract period from October 1 to December 31, 2019. Trade receivable from related parties amounting to \$64,777 thousand for the year ended December 31, 2019 were uncollateralized; thus, no expected credit loss was required after the assessment. The term of receivable was 180 days.

The Group entered into an advertising sales contract with Digit Marketing in October 2018, with the period from October 15, 2018 to December 31, 2021. The contract stipulated that the bidding price of the advertising banner shall be determined in accordance with the actual solicitation. However, the contract was terminated on September 18, 2019.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Leases

The Company leased its Taipei and Kaohsiung office to its associate in March 2018 and August 2018, with the total values of \$2,160 thousand (tax included) and \$35 thousand (tax included), based on the three-year and one-year agreements, respectively, of the office rental within the vicinity. The Company leased its Taichung office to its associate in March 2019, with the total value of \$858 thousand (tax included), based on two-year agreement of the office rental within the vicinity. The Company leased its Taipei and Kaohsiung office to its associate in July 2019 and September 2019, with the total values of \$1,100 thousand (tax included) and \$378 thousand (tax included), based on the twenty-month and eighteen-month agreement, respectively, of the office rental within the vicinity. The Group recognized the amount of 1,423 thousand as rent income, and there is no unpaid balance as of December 31, 2019.

(iv) Other transaction with related parties

Account	Relationship	2019	2018
Other income	Associate	\$ 420	4,151
Commission expense	Associate	25,431	10,848
Rent income	Associate	1,423	120
Other expense	Associate	1,590	-
		December 31, 2019	December 31, 2018
Account	Relationship	\$	
Other payable	Associate	295	6,962

The Group entered into an advertising project contract with Digit Marketing in September 2019, with the period from October 1 to December 31, 2019. The contract stipulated that the Group need to pay a fixed percentage of amount according to actual solicitation as commission expense. The amount of 25,431 thousand was recognized for the year ended December 31, 2019.

The Group entered into advertising sales contract with Digit Marketing in October 2018, with the period from October 15, 2018 to December 31, 2021. The contract stipulated the fix ratio for non-advertising solicitations and the bonus for the achievement of cumulative sales in a single season. However, the contract was terminated on September 18, 2019.

(v) Other

The Group invested 4,000,000 Class A special shares and 1,000,000 Class B special shares in Element III Venture Capital Co., Ltd., with total investment of \$50,000 thousand.

(c) Key management personnel compensation

	2019	2018
Short-term employee benefits	\$ 69,063	68,951
Share-based payments	11,464	21,770
	\$ 80,527	90,721

Please refer to note 6(s) for further details related to shared-based payments.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Other current financial assets (time deposits)	License of employment service agency	\$ 3,000	3,000
Other current financial assets (trust account)	Obligation of collection and payment on behalf of another party	438,265	426,336
		<u>\$ 441,265</u>	<u>429,336</u>

(9) Significant Commitments and contingencies:

The Group's contractual commitment and unpaid amount for the acquisition of office are as follow:

	December 31, 2019	December 31, 2018
Total contract price	<u>\$ 237,050</u>	<u>-</u>
Not yet paid	<u>\$ 215,500</u>	<u>-</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2019			2018		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		208,474	162,295	370,769	185,725	176,954	362,679
Labor and health insurance		7,354	6,594	13,948	6,229	7,077	13,306
Pension		15,604	3,552	19,156	12,211	3,700	15,911
Remuneration of directors		-	5,394	5,394	-	5,511	5,511
Others		5,639	6,339	11,978	4,548	6,146	10,694
Depreciation		17,165	20,038	37,203	14,714	13,809	28,523
Amortization		-	9,726	9,726	-	9,458	9,458

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the Regulations for the Group:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Stock Jacker cleaning Inc.	None	Equity investments at FVOCI	360	9,786	11.42 %	9,786	11.42 %	
The Company	Stock Element I Venture Capital Co., Ltd.	None	"	2,000	15,290	3.64 %	15,290	3.64 %	
The Company	Stock Cherri Tech Inc.	None	"	100	29,203	4.68 %	29,203	7.71 %	
The Company	Class A special share Element III Venture Capital Co., Ltd.	Note1	"	4,000	29,240	- %	29,240	- %	Note2
The Company	Class B special share Element III Venture Capital Co., Ltd.	Note1	"	1,000	15,110	- %	15,110	- %	Note2
The Company	Stock Newretail Co., Ltd.	None	"	9,572	24,983	8.11 %	24,983	8.11 %	
The Company	Fund UPAMC China High Yield Bond Fund	None	Debt investment at FVOCI	-	1,729	- %	1,729	- %	
The Company	Fund UPAMC Dyna-Strategy Global Multi-Asset Fund B TWD	None	"	-	4,033	- %	4,033	- %	
The Company	Fund Amundi Funds II-Emerging Markets Bond A USD D ExD	None	"	-	9,000	- %	9,000	- %	
The Company	Bond Saudi Arabian Oil Company Corporate Bond	None	"	-	17,294	- %	17,294	- %	
Samoa	Stock Bridge Root Fund, L.P.	None	Equity investments at FVOCI	-	103,638	1.72 %	103,638	8.74 %	

Note1: The chairman is the same as the Company

Note2: No voting, suffrage and candidate eligibility at ordinary shareholders' meeting.

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Adden Technology (SHENZHEN) Co., Ltd.	1	Cost of service rendered	263,024	T/T payment	17.92%
0	The Company	Adden Technology (SHENZHEN) Co., Ltd.	1	Trade payables	76,535	T/T payment	2.79%
1	Adden Technology (HK) Co., Ltd.	Adden Technology (SHENZHEN) Co., Ltd.	3	Trade payables	7,614	T/T payment	0.28%
1	Adden Technology (HK) Co., Ltd.	Adden Technology (SHENZHEN) Co., Ltd.	3	Cost of service rendered	15,899	T/T payment	1.08%

Note1: "0" represents the parent company. Subsidiaries are coded from Arabic numeral 1.

Note2: "1" represents the transactions from parent company to subsidiary.

"2" represents the transactions from subsidiary to parent company.

"3" represents the transactions between subsidiaries.

Note3: Exchange rate for income statement was calculated in CNY: NTD=1:4.47 in 2019.

Exchange rate for balance sheet was calculated in CNY: NTD=1:4.31 in 2019.

Exchange rate for income statement was calculated in HKD: NTD=1:3.95 in 2019.

Exchange rate for balance sheet was calculated in HKD: NTD=1:3.86 in 2019.

Exchange rate for income statement was calculated in CNY: NTD=1:4.56 in 2018.

Exchange rate for balance sheet was calculated in CNY: NTD=1:4.67 in 2018.

Exchange rate for income statement was calculated in HKD: NTD=1:3.85 in 2018.

Exchange rate for balance sheet was calculated in HKD: NTD=1:3.92 in 2018.

Note4: Business relationships and significant intercompany transactions only disclosed the information of the Company's cost and account payable. Revenues and account receivable of counterparty would not be disclosed again.

Note5: Transactions within the Group were eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	Adden Technology (Samoa) Co., Ltd.	Samoa	Foreign holdings company	950,236 (USD29,760)	950,236 (USD29,760)	29,760	100.00 %	765,968	100.00 %	13,944	13,944	Subsidiary (Note)
The Company	Digit Marketing Co., Ltd.	Taiwan	Advertising	7,441	7,441	1,199	33.29 %	35,988	33.29 %	52,215	17,382	Associate
Adden Technology (Samoa) Co., Ltd.	Adden Technology (HK) Co., Ltd.	Hong Kong	Electronic information supply	204,005 (USD6,500)	204,005 (USD6,500)	6,500	70.00 %	42,305	70.00 %	(1,024)	(717)	Subsidiary (Note)

Note: Transactions within the Group were eliminated in the consolidated financial statements except for Digit Marketing Co., Ltd..

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Adden Technology (SHENZHEN) Co., Ltd.	System application management, maintenance and customer service	606,814 (USD20,200)	(1)	606,814 (USD20,200)	-	-	606,814 (USD20,200)	14,646	100.00%	100.00%	14,646	600,900	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
606,814 (USD20,200)	757,014 (USD25,200)	1,050,595

Note1: Re-investment company in mainland China established through investments of a third district.

Note2: Recognized according to the audit financial statements of the company invested into.

Note3: The amounts of accumulated outflow of investment from Taiwan were translated into New Taiwan dollars at the reporting date.

Note4: The upper limit on investment was calculated in accordance with the regulations of the Investment Commission of the Ministry of Economic Affairs for 60% of the net equity or consolidated net equity.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

Adden Technology Co., Ltd. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

Other department did not list in the consolidated financial statements when the Company lost control over Digit Marketing Co., Ltd on October 22, 2018. Internet service departments have been aggregated into a single operating segment as they have similar economic characteristics and use similar model to provide service. For the year ended December 31, 2019, the Group's segment financial information was the same as that in the financial statements. The Group's operating segment information for the year ended December 31, 2018 was as follows:

- (a) Internet service department: online trade platform operation and service.
 (b) Other department: others.

	2018			
	<u>Internet service department</u>	<u>Other department</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue :				
Revenue from external customers	\$ 1,456,766	21,978	-	1,478,744
Intersegment revenues	<u>247,624</u>	<u>48,969</u>	<u>(296,593)</u>	<u>-</u>
Total revenue	<u>\$ 1,704,390</u>	<u>70,947</u>	<u>(296,593)</u>	<u>1,478,744</u>
Reportable segment profit or loss	<u>\$ 701,786</u>	<u>20,009</u>	<u>6,465</u>	<u>728,260</u>
Reportable segment assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>2,691,430</u>
Reportable segments liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>967,307</u>

The amounts of deducting the intersegment revenue was \$296,503 thousand in 2018.

- (c) Geographic information

<u>Geographic information</u>	<u>2019</u>	<u>2018</u>
Revenue from external customers:		
Taiwan	\$ 1,413,137	1,430,087
Other countries	<u>54,894</u>	<u>48,657</u>
Total	<u>\$ 1,468,031</u>	<u>1,478,744</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current assets:		
Taiwan	\$ 526,365	460,633
Chinese	<u>501,364</u>	<u>492,133</u>
Total	<u>\$ 1,027,729</u>	<u>952,766</u>

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, not including financial instruments, investments accounted for using equity method, and deferred tax assets.

Adden Technology Co., Ltd.
Parent Company Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

Address: 10F, No.12, ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist.,
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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Addcn Technology Co., Ltd.:

Opinion

We have audited the financial statements of Addcn Technology Co., Ltd. ("the Company"), which comprise the balance sheet as of December 31, 2019 and 2018, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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 audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming in our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to note 4(o) for the accounting policy of revenue and note 6(u) for composition of revenue.

Description of key audit matter:

Sales Revenue of the Company is mainly generated from operating online platforms. The way of revenue recognition varies by different types of transactions and its economic substances. Also, there is a large volume of transactions through the online platforms day-by-day with system-controlled trading information and procedures.

Therefore, transaction information and the timing of revenue recognition is an important issue in our audit of the consolidated financial statements.

How the matter was addressed with our audit:

Our principal audit procedures included: understanding trading models of each online platform and its principal system-based application control and manual control, including involving IRM specialist in testing the general information technology environment and related application control of their main transaction processes; obtaining the monthly income statement generated by the system of online platforms, assessing whether the system processes transaction information appropriately, and inspecting some samples of accounting vouchers to see if they agree with the monthly income statement generated by the system.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including supervisors) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this 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 financial statements of the current period 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 Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 12, 2020

Notes to Readers

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

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Assets					
Current assets:					
11100	Cash and cash equivalents (note 6(a))	\$ 458,769	17	481,736	19
11170	Notes and trade receivable, net (note 6(c))	82,708	3	115,853	4
11181	Trade receivable due from related parties (note 7)	64,821	2	20,781	1
130X	Inventories(note 6(d))	-	-	9,716	-
1476	Other current financial assets (note 6(l), 7 and 8)	546,760	21	534,408	21
1479	Other current assets, others (note 6(m))	5,654	-	11,316	-
		<u>1,158,712</u>	<u>43</u>	<u>1,173,810</u>	<u>45</u>
Non-current assets:					
1518	Equity investment at fair value through other comprehensive income (note 6(b))	123,612	5	103,521	4
1521	Debt investment at fair value through other comprehensive income (note 6(b))	32,056	1	70,351	3
1550	Investments accounted for using equity method (note 6(e))	801,956	30	771,478	30
1600	Property, plant and equipment (note 6(h))	319,884	12	230,895	9
1760	Investment property, net (note 6(j))	107,401	4	119,187	4
1780	Intangible assets (note 6(k))	100,736	4	109,855	4
1840	Deferred tax assets (note 6(q))	14,497	1	23,495	1
1995	Other non-current assets, others (note 6(m))	10,844	-	696	-
		<u>1,510,986</u>	<u>57</u>	<u>1,429,478</u>	<u>55</u>
	Total assets	<u>\$ 2,669,698</u>	<u>100</u>	<u>2,603,288</u>	<u>100</u>
Liabilities and Equity					
Current liabilities:					
	Notes payable and trade payable		14	-	3,711
	Trade payable to related parties (note 7)		76,535	3	68,786
	Other payables (note 6(n) and 7)		183,441	7	191,803
	Contract liabilities (note 6(u))		196,687	7	184,470
	Receipts under custody (note 6(n))		414,788	16	417,101
	Other current liabilities, others		3,347	-	3,249
		<u>874,812</u>	<u>33</u>	<u>869,120</u>	<u>34</u>
Non-Current liabilities:					
	Guarantee deposits received	36,331	1	31,781	1
	Other non-current liabilities, others	7,564	-	-	13
		<u>43,895</u>	<u>1</u>	<u>31,794</u>	<u>1</u>
	Total liabilities	<u>918,707</u>	<u>34</u>	<u>900,914</u>	<u>35</u>
Equity attributable to owners of parent (note 6(r(s)):					
	Ordinary share	425,755	16	425,790	16
	Capital surplus	341,866	13	421,815	16
	Retained earnings	1,207,146	45	1,057,324	41
	Other equity interest	(223,776)	(8)	(202,555)	(8)
		<u>1,750,991</u>	<u>66</u>	<u>1,702,374</u>	<u>65</u>
	Total equity	<u>\$ 2,669,698</u>	<u>100</u>	<u>2,603,288</u>	<u>100</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Adden Technology Co., Ltd.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, except for earnings per share)

	2019		2018	
	Amount	%	Amount	%
4100 Operating revenues (note 6(u) and 7)	\$ 1,413,137	100	1,417,973	100
5000 Operating costs (note 6(d) and 7)	<u>365,453</u>	<u>26</u>	<u>347,557</u>	<u>25</u>
5900 Gross profit from operations	<u>1,047,684</u>	<u>74</u>	<u>1,070,416</u>	<u>75</u>
6000 Operating expenses (note 6(c)(k)(o)(p)(s)(v) and 7):				
6100 Selling expenses	159,705	12	209,453	15
6200 Administrative expenses	130,573	9	121,645	9
6300 Research and development expenses	45,655	3	54,862	4
6450 Impairment loss determined in accordance with IFRS 9	<u>12,781</u>	<u>1</u>	<u>11,191</u>	<u>1</u>
Total operating expenses	<u>348,714</u>	<u>25</u>	<u>397,151</u>	<u>29</u>
6900 Net operating income	<u>698,970</u>	<u>49</u>	<u>673,265</u>	<u>46</u>
Non-operating income and expenses:				
7010 Other income (note 6(w) and 7)	19,270	2	30,921	2
7020 Other gains and losses, net (note 6(w) and 7)	1,616	-	1,550	-
7050 Finance costs, net (note 6(w))	(260)	-	-	-
7375 Share of profit of associates accounted for using equity method (note 6(e))	<u>31,326</u>	<u>2</u>	<u>27,851</u>	<u>2</u>
Total non-operating income and expenses	<u>51,952</u>	<u>4</u>	<u>60,322</u>	<u>4</u>
Profit from continuing operations before tax	<u>750,922</u>	<u>53</u>	<u>733,587</u>	<u>50</u>
7950 Less: Income tax expenses (note 6(q))	<u>149,763</u>	<u>10</u>	<u>138,047</u>	<u>10</u>
Profit from discontinued operation :				
Profit	<u>601,159</u>	<u>43</u>	<u>595,540</u>	<u>40</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss				
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(29,909)	(2)	(69,159)	(5)
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	29,166	2	2,430	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(743)</u>	<u>-</u>	<u>(66,729)</u>	<u>(5)</u>
8360 Items that will be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(22,795)	(2)	(11,497)	(1)
8367 Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	39	-	(2,919)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>(22,756)</u>	<u>(2)</u>	<u>(14,416)</u>	<u>(1)</u>
8300 Other comprehensive income	<u>(23,499)</u>	<u>(2)</u>	<u>(81,145)</u>	<u>(6)</u>
Total comprehensive income	<u>\$ 577,660</u>	<u>41</u>	<u>514,395</u>	<u>34</u>
Basic earnings per share (NT dollars) (note 6(t))	<u>\$ 14.14</u>		<u>14.04</u>	
Diluted earnings per share (NT dollars) (note 6(t))	<u>\$ 14.04</u>		<u>13.93</u>	

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Statements of Changes in Equity

For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Share capital			Retained earnings			Other equity				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation	Total other equity interest	Total equity
Balance on January 1, 2018											
Effects of retrospective application											
Balance on January 1, 2018 after adjustment	425,805	566,585	280,758	58,329	639,403	978,490	(69,437)	-	(15,487)	(137,067)	1,833,813
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	566,585	280,758	58,329	639,403	978,490	(69,437)	(49,695)	-	2,448	1,836,261
Special reserve appropriated	-	-	63,438	-	(63,438)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	63,253	(63,253)	-	-	-	-	-	-
	-	-	-	-	(510,966)	(510,966)	-	-	-	-	(510,966)
	-	-	63,438	63,253	(637,657)	(510,966)	-	-	-	-	595,540
	-	-	-	-	595,540	595,540	-	-	-	(81,145)	(81,145)
	-	-	-	-	-	-	(11,497)	(69,648)	-	(81,145)	514,395
	-	-	-	-	595,540	595,540	(11,497)	(69,648)	-	-	-
	-	-	-	-	-	-	(11,497)	(69,648)	-	-	-
Profit for the year ended December 31, 2018	-	641	-	-	-	-	-	-	-	641	641
Other comprehensive income for the year ended December 31, 2018	-	(149,032)	-	-	-	-	-	-	-	-	(149,032)
Comprehensive income for the year ended December 31, 2018	-	-	-	-	(5,740)	(5,740)	-	-	-	-	(5,740)
Other changes in capital surplus:	-	3,905	-	-	-	-	-	-	12,910	12,910	16,815
Changes in equity of associates accounted for using equity method	-	(284)	-	-	-	-	-	-	299	299	-
Cash dividends from capital surplus	(15)	421,815	344,196	121,582	591,546	1,057,324	(80,934)	(119,343)	(2,278)	(202,555)	1,702,374
Share-based payments	-	-	59,155	-	(59,155)	-	-	-	-	-	-
Retirement of restricted employee stock	-	-	-	78,696	(78,696)	-	-	-	-	-	-
Balance on December 31, 2018											
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	421,815	344,196	121,582	591,546	1,057,324	(80,934)	(119,343)	-	-	-
Special reserve appropriated	-	-	59,155	-	(59,155)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	78,696	(78,696)	-	-	-	-	-	-
	-	-	-	-	(451,337)	(451,337)	-	-	-	-	(451,337)
	-	-	59,155	78,696	(589,188)	(451,337)	-	-	-	-	601,159
	-	-	-	-	601,159	601,159	-	-	-	-	(23,499)
	-	-	-	-	-	-	(22,795)	(704)	-	(23,499)	577,660
	-	-	-	-	601,159	601,159	(22,795)	(704)	-	-	-
	-	-	-	-	-	-	(22,795)	(704)	-	-	-
Profit for the year ended December 31, 2019	-	(80,900)	-	-	-	-	-	-	-	-	(80,900)
Other comprehensive income for the year ended December 31, 2019	-	916	-	-	-	-	-	-	2,278	2,278	3,194
Comprehensive income for the year ended December 31, 2019	(35)	35	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:											
Cash dividends from capital surplus	-	341,866	403,351	200,278	603,517	1,207,146	(103,729)	(120,047)	-	(223,776)	1,750,991
Share-based payments	-	-	-	-	-	-	-	-	-	-	-
Retirement of restricted employee stock	-	-	-	-	-	-	-	-	-	-	-
Balance on December 31, 2019											
	425,755	341,866	403,351	200,278	603,517	1,207,146	(103,729)	(120,047)	-	(223,776)	1,750,991

See accompanying notes to parent company only financial statements.

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Adden Technology Co., Ltd.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Profit before tax	\$ 750,922	733,587
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	21,523	14,288
Amortization expense	9,317	9,171
Expected credit loss	12,781	11,191
Interest expense	260	-
Interest income	(3,665)	(4,694)
Dividend income	(1,478)	(400)
Share-based payments transactions	3,194	16,815
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(31,326)	(27,851)
Loss on disposal of property, plant and equipment	-	(23)
Gain on disposal of investments	(545)	(240)
Gain on disposal of investments accounted for using equity method	-	(1,681)
Unrealized foreign exchange loss (gain)	1,199	(56)
Gain from price recovery of inventory	-	(5,700)
Total adjustments to reconcile profit	<u>11,260</u>	<u>10,820</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	20,364	(697)
Trade receivable due from related parties	(44,040)	-
Inventories	9,716	10,479
Prepayments	6,694	(5,679)
Other current assets	(935)	19,844
Other financial assets	(424)	1,322
Total changes in operating assets	<u>(8,625)</u>	<u>25,269</u>
Changes in operating liabilities:		
Notes and accounts payable	(3,697)	(2,139)
Accounts payable to related parties	7,749	96
Other payable	2,094	201
Other payable to related parties	(6,561)	6,962
Contract liabilities	12,217	6,936
Other current liabilities	(2,696)	(66)
Receipts under custody	(2,313)	17,702
Total changes in operating liabilities	<u>6,793</u>	<u>29,692</u>
Total changes in operating assets and liabilities	<u>(1,832)</u>	<u>54,961</u>
Total adjustments	<u>9,428</u>	<u>65,781</u>

See accompanying notes to parent company only financial statements.

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Adden Technology Co., Ltd.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash inflow generated from operations	760,350	799,368
Interest received	3,667	4,728
Interest paid	(260)	-
Income taxes paid	(144,592)	(131,218)
Net cash flows from operating activities	619,165	672,878
Cash flows (used in) from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(68,497)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	56,177	10,288
Acquisition of investments accounted for using equity method	-	(69,012)
Acquisition of property, plant and equipment	(91,637)	(12,938)
Proceeds from disposal of property, plant and equipment	-	28
Decrease in refundable deposits	68	349
Acquisition of intangible assets	(198)	(939)
Acquisition of investment properties	(4,359)	(66,463)
(Increase) decrease in other financial assets	(11,930)	226,219
Dividends received	8,697	6,269
Net cash flows (used in) from investing activities	(111,679)	93,801
Cash flows used in financing activities:		
Increase in guarantee deposits received	4,550	4,200
Payment of lease liabilities	(2,766)	-
Cash dividends paid	(532,237)	(659,998)
Net cash flows used in financing activities	(530,453)	(655,798)
Net (decrease) increase in cash and cash equivalents	(22,967)	110,881
Cash and cash equivalents at beginning of period	481,736	370,855
Cash and cash equivalents at end of period	\$ 458,769	481,736

See accompanying notes to parent company only financial statements.

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Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Adden Technology Co., Ltd. (the “Company”) was incorporated in January 23, 2007 as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company was registered in 10F, No.12, Lane 609, Sec 5, Chungshin Rd., Sanchung Dist., New Taipei City. The major business activities of the Company are online trade platform operation and services. The Company’s common shares were listed on the Taipei Exchange (TPEx) since January 20, 2014.

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issue by the Board of Directors on March 14, 2020.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(l).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of printer and a part of leases of office.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional \$6,178 thousands of right-of-use assets and \$6,178 thousands of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.50%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	\$ 11,461
Recognition exemption for:	
short-term leases	(649)
leases of low-value assets	(58)
contracts without a lease	<u>(4,375)</u>
	<u>\$ 6,379</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 6,178
Finance lease liabilities recognized as at December 31, 2018	<u>-</u>
Lease liabilities recognized at January 1, 2019	<u>\$ 6,178</u>

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(ii) IFRIC 23 “Uncertainty over Income Tax Treatments”

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The adoption of the IFRSs did not have any material impact on the Group’s consolidated financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

(Continued)

Addcn Technology Co., Ltd.
Notes to the Financial Statements

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis, except fair value through other comprehensive income are measured at fair value.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(ii) Functional and presentation currency

The functional currency of each Company Entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(Continued)

Addcn Technology Co., Ltd.
Notes to the Financial Statements

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

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Addcn Technology Co., Ltd.
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In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 1 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 60 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’ which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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Notes to the Financial Statements

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 2 years past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

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When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) **Subsidiaries**

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the financial statements. Under equity method, the net income, other comprehensive income and equity in the financial statements are the same as those attributed to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries that do not result in the loss of control are recognized as equity transaction.

When the Company loses control of a subsidiary, it shall remeasure the investment retained in the former subsidiary at its fair value at the date when control is lost. The gain or loss arising from derecognition is the difference between: (1) the total amounts of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost; and (2) the total amounts of the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost. The Company shall account for all amounts previously recognized in other comprehensive income, in relation to that subsidiary, on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

(j) **Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	50 years
2) Office equipment	1~5 years
3) Lease improvements	1~5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(l) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fix payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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Addcn Technology Co., Ltd.
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The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of printer and a part of office that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

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(ii) Leasee

Leases are operating leases and are not recognized in the Company's balance sheet. Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Trademarks and patents	6~10 years
2) Computer software	3~10 years
3) Customer relationships and databases	10 years

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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Online advertising platform services

The Company provides advertising services to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the actual advertising hours spent relative to the total expected advertising hours.

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Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

2) Commission

The Company only acts as a platform provider when it provides online trading platform services. Commission is received by a fixed proportion of transaction price when the buyer and seller confirm that the transaction is finished.

3) Sale of goods – clothes and boutiques

The Company sells clothes and boutiques on the online platform by retail. The Company recognizes revenue when a customer takes possession of the product. Payment of the transaction price is due immediately when the customer purchases the product.

4) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

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2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant-date fair value of the share based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

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Adden Technology Co., Ltd.
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The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

- 1) the same taxable entity; or
- 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee stock options.

(t) Operating segments

The Company discloses its segment information in the consolidated financial statements. Therefore, the Company need not disclose segment information in the parent-company-only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

For the assumptions and estimation uncertainties, there were no significant risk resulting in a material adjustment within the next financial year.

The Company's accounting policies includes measuring financial and non-financial assets and liabilities at fair value through profit or loss.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

Please refer to note 6(y) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash	\$ 50	50
Demand deposits and check deposits	458,719	481,686
Cash and cash equivalents in the statement of cash flows	<u>\$ 458,769</u>	<u>481,736</u>

Please refer to note 6(y) for the interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

- (b) Financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Debt investments at fair value through other comprehensive income:		
Corporate bonds –Citigroup Global Markets Inc.	\$ -	37,859
Corporate bonds –Formosa Group	-	18,334
Corporate bonds –Saudi Arabian Oil Company	17,294	-
Others	14,762	14,158
Subtotal	<u>32,056</u>	<u>70,351</u>
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic markets	24,983	58,197
Stocks unlisted on demestic markets	98,629	45,324
Subtotal	<u>123,612</u>	<u>103,521</u>
Total	<u>\$ 155,668</u>	<u>173,872</u>

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(i) Debt investments at fair value through other comprehensive income

The Company has assessed that the following securities are held within a business model whose objective is achieved by both collecting the contractual cash flows and by selling securities; therefore, they have been classified as debt investments at fair value through other comprehensive income.

On May 30, 2018, the Company sold its investments as a result of the Company's investment strategy. The investment sold had a fair value of \$10,288 thousand wherein the Company realized a gain of \$240 thousand, which has been reclassified from other equity to profit or loss.

The Company sold its investments as a result of the Company's investment strategy on August 14, 2019 and December 16, 2019. The investment sold had a fair value of \$37,146 thousand and \$19,031 thousand wherein the Group realized a gain of \$80 thousand and \$465 thousand, respectively, which has been reclassified from other equity to profit or loss.

(ii) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

During the years ended December 31, 2019 and 2018, the dividends of \$1,478 thousand and \$400 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2019 and 2018.

(iii) For credit risk (including the impairment of debt investments) and market risk; please refer to note 6(y).

(iv) None of the financial assets above are pledged as collateral for long-term borrowings.

(c) Notes and trade receivables

	December 31, 2019	December 31, 2018
Notes receivables	\$ 4,045	45
Trade receivables	103,261	127,612
Less: Loss allowance	<u>(24,598)</u>	<u>(11,804)</u>
	<u>\$ 82,708</u>	<u>115,853</u>

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

- (i) The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

December 31, 2019			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 87,118	0%	4,410
1 to 60 days past due	193	25%~50%	193
More than 60 days past due	19,995	50%~100%	19,995
Total	<u>\$ 107,306</u>		<u>24,598</u>

December 31, 2018			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 106,444	0%	-
1 to 60 days past due	12,658	25%~50%	3,249
More than 60 days past due	8,555	100%	8,555
Total	<u>\$ 127,657</u>		<u>11,804</u>

- (ii) The movement in the allowance for notes and trade receivables were as follows:

	For the years ended December 31	
	2019	2018
Balance at January 1	\$ 11,804	626
Impairment losses recognized	12,781	11,191
Amounts written off	-	(13)
Amounts reversed due to recovery	13	-
Balance at December 31	<u>\$ 24,598</u>	<u>11,804</u>

- (iii) The aforementioned notes and trade receivable of the Company had not been pledged as collateral for long-term borrowings.

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

(d) Inventories

Inventories on December 31, 2019 and 2018 were categorized as follows:

	December 31, 2019	December 31, 2018
Merchandise	\$ -	13,116
Less: Loss allowance	<u>-</u>	<u>(3,400)</u>
	<u>\$ -</u>	<u>9,716</u>

As of December 31, 2019 and 2018, inventories recognized as cost of sales amounted to \$10,293 thousand and \$46,488 thousand, respectively.

The Company sold merchandise which cost was lower than its net realizable value; therefore, the Company reversed write-downs amount and reduced the cost of goods sold for the years ended of 2019 and 2018 by \$680 thousand and \$5,700 thousand, respectively.

As of December 31, 2019 and 2018, the Company did not provide any inventories as collateral for its loans.

(e) Investments accounted for using equity method

The details of the investments accounted for using equity method were as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 765,968	745,653
Associates	<u>35,988</u>	<u>25,825</u>
	<u>\$ 801,956</u>	<u>771,478</u>

(i) Subsidiaries

For the related information, please refer to the consolidated financial statements for the year ended December 31, 2019.

(ii) Associates

The Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2019	December 31, 2018
Carrying amount of individually insignificant associates' equity	<u>\$ 35,988</u>	<u>25,825</u>

(Continued)

Addcn Technology Co., Ltd.
Notes to the Financial Statements

In 2019 and 2018, the Company's share of the net income of associate was as follows:

	<u>2019</u>	<u>2018</u>
Attributable to the Company:		
Profit from continuing operations	\$ 17,382	118
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>\$ 17,382</u>	<u>118</u>

The Company does not have any contingent liabilities arising from associate with other investor or for individual responsibility.

There is no significant restrictions to transfer financial resource from associate to the Company.

As of December 31, 2019 and 2018, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(f) Changes in a parent's ownership interest in a subsidiary

Digit Marketing Co., Limited (hereinafter referred to Digit Marketing) approved a resolution to issue 400 thousand common stocks by cash and retained part of its shares for the employees on September 2018, which reduced the Company's direct holding from 55% to 53.27%. In October 2018, Digit Marketing issued another common stocks by cash, resulting in the loss control of the Group over Digit Marketing. Please refer to note 6(h) for further details.

Addcn Technology (HK) Co., Limited approved a resolution to issue 2,786 thousand common stocks by cash and retained part of its shares for Company's employees on September 2018, resulting in the Company's indirect holding to decrease from 100% to 70%.

The effect of change in equity of subsidiary ownership attributable to parent equity is stated as follow:

	<u>2018</u>	
	<u>Digit Marketing Co., Limited</u>	<u>Addcn Technology (HK) Co., Limited</u>
Capital equity-changes in ownership interest	\$ 374	4,746
Other equity -exchange differences on translation of foreign financial statements	<u>-</u>	<u>620</u>
Retained earnings reduction	<u>\$ 374</u>	<u>5,366</u>

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(g) Loss control of subsidiaries

In October 2018, Digit Marketing approved a capital increase by cash by issuing 900 thousand shares, with a portion of it being reserved for employee stock option, resulting in share percentage of the Company in Digit Marketing to decrease from 53.27% to 33.29%; hence, losing control over Digit Marketing. Thereafter, the Company remeasured the difference between the fair value of its investment in Digit Marketing amounting to \$25,066 thousand and the carrying amount in other gains of \$1,681 thousand and recognized it as other gains and losses in its statement of comprehensive income.

The carrying amount of assets and liabilities of Digit Marketing on the date of disposal was as follow:

Cash and cash equivalents	\$ 25,955
Trade receivables and other receivables	47,125
Other current assets	1,426
Property, plant and equipment	2,149
Intangible assets	278
Other non-current assets	58
Trade payables and other payables	(25,440)
Other current liabilities	(7,410)
Carrying amount of net assets	<u><u>\$ 44,141</u></u>

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018, were as follows:

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2019	\$ 131,656	101,961	73,540	9,327	-	316,484
Additions	31,310	36,400	4,974	6,453	12,500	91,637
Reclassification	9,318	4,280	-	-	-	13,598
Disposals	-	-	(1,313)	-	-	(1,313)
Balance at December 31, 2019	<u>\$ 172,284</u>	<u>142,641</u>	<u>77,201</u>	<u>15,780</u>	<u>12,500</u>	<u>420,406</u>
Balance at January 1, 2018	\$ 131,656	101,855	60,998	9,327	-	303,836
Additions	-	106	12,832	-	-	12,938
Disposals	-	-	(290)	-	-	(290)
Balance at December 31, 2018	<u>\$ 131,656</u>	<u>101,961</u>	<u>73,540</u>	<u>9,327</u>	<u>-</u>	<u>316,484</u>
Depreciation and impairments losses:						
Balance at January 1, 2019	\$ -	19,379	56,883	9,327	-	85,589
Depreciation	-	7,042	8,948	706	-	16,696
Reclassification	-	(450)	-	-	-	(450)
Disposals	-	-	(1,313)	-	-	(1,313)
Balance at December 31, 2019	<u>\$ -</u>	<u>25,971</u>	<u>64,518</u>	<u>10,033</u>	<u>-</u>	<u>100,522</u>

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
Balance at January 1, 2018	\$ -	13,635	50,097	9,053	-	72,785
Depreciation	-	5,744	7,071	274	-	13,089
Disposals	-	-	(285)	-	-	(285)
Balance at December 31, 2018	<u>\$ -</u>	<u>19,379</u>	<u>56,883</u>	<u>9,327</u>	<u>-</u>	<u>85,589</u>
Carrying amounts:						
Balance at December 31, 2019	<u>\$ 172,284</u>	<u>116,670</u>	<u>12,683</u>	<u>5,747</u>	<u>12,500</u>	<u>319,884</u>
Balance at December 31, 2018	<u>\$ 131,656</u>	<u>82,582</u>	<u>16,657</u>	<u>-</u>	<u>-</u>	<u>230,895</u>
Balance at January 1, 2018	<u>\$ 131,656</u>	<u>88,220</u>	<u>10,901</u>	<u>274</u>	<u>-</u>	<u>231,051</u>

As of December 31, 2019 and 2018, the Company did not provide any property, plant and equipment as collateral for its loan.

(i) Right-of-use-asset

The Company leases many assets including land and buildings and vehicles. Information about leases for which the Company as a lessee was presented below:

	<u>Buildings and constructions</u>	<u>Shipping equipments</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2019	\$ -	-	-
Effects of retrospective application	5,678	500	6,178
Additions	6,352	513	6,865
Disposals	(360)	-	(360)
Balance at December 31, 2019	<u>\$ 11,670</u>	<u>1,013</u>	<u>12,683</u>
Depreciation and impairments losses:			
Balance at January 1, 2019	\$ -	-	-
Depreciation	2,401	426	2,827
Disposals	(360)	-	(360)
Balance at December 31, 2019	<u>\$ 2,041</u>	<u>426</u>	<u>2,467</u>
Carrying amount:			
Balance at December 31, 2019	<u>\$ 9,629</u>	<u>587</u>	<u>10,216</u>

The Company leases offices under an operating lease, please refer to note 6(o).

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(j) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are owned by the Company. The leases of investment properties contain an initial non-cancellable lease term of 1 to 3 years. For all investment property leases, the rental income is fixed under the contracts.

	Owned property		
	Land	Buildings and constructions	Total
Cost or deemed cost:			
Balance at January 1, 2019	\$ 82,693	40,506	123,199
Additions	-	4,359	4,359
Reclassification	(11,357)	(2,338)	(13,695)
Balance at December 31, 2019	<u>\$ 71,336</u>	<u>42,527</u>	<u>113,863</u>
Balance at January 1, 2018	\$ 35,745	20,991	56,736
Reclassification	46,948	19,515	66,463
Balance at December 31, 2018	<u>\$ 82,693</u>	<u>40,506</u>	<u>123,199</u>
Depreciation and impairments losses:			
Balance at January 1, 2019	\$ -	4,012	4,012
Depreciation	-	2,000	2,000
Reclassification	-	450	450
Balance at December 31, 2019	<u>\$ -</u>	<u>6,462</u>	<u>6,462</u>
Balance at January 1, 2018	\$ -	2,813	2,813
Depreciation	-	1,199	1,199
Balance at December 31, 2018	<u>\$ -</u>	<u>4,012</u>	<u>4,012</u>
Carrying amount:			
Balance at December 31, 2019	<u>\$ 71,336</u>	<u>36,065</u>	<u>107,401</u>
Balance at December 31, 2018	<u>\$ 82,693</u>	<u>36,494</u>	<u>119,187</u>
Balance at January 1, 2018	<u>\$ 35,745</u>	<u>18,178</u>	<u>53,923</u>
Fair value:			
Balance at December 31, 2019		\$	<u>111,274</u>
Balance at January 1, 2018		\$	<u>117,195</u>

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains a 1 to 3 years non-cancellable period. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information (including rental income and related operating expenses) please refer to note 6(o).

The fair value stated above was according to the latest transaction data announced on the website of Department of Land Administration Ministry of the Interior.

As of December 31, 2019 and 2018, the Company did not provide any investment property as collateral for long-term borrowings.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(k) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2019 and 2018, were as follows:

	<u>Goodwill</u>	<u>Brand/Trade marks</u>	<u>Client relationship/ Database/518 computer system</u>	<u>Others</u>	<u>Total</u>
Cost:					
Balance at January 1, 2019	\$ 58,000	27,818	59,208	5,777	150,803
Additions	-	-	-	237	237
Others	-	(162)	-	-	(162)
Balance at December 31, 2019	<u>\$ 58,000</u>	<u>27,656</u>	<u>59,208</u>	<u>6,014</u>	<u>150,878</u>
Balance at January 1, 2018	\$ 58,000	27,818	59,208	4,838	149,864
Additions	-	-	-	939	939
Balance at December 31, 2018	<u>\$ 58,000</u>	<u>27,818</u>	<u>59,208</u>	<u>5,777</u>	<u>150,803</u>
Accumulated amortization and impairment losses					
Balance at January 1, 2019	\$ -	12,282	25,163	3,503	40,948
Amortization	-	2,807	5,921	628	9,356
Others	-	(162)	-	-	(162)
Balance at December 31, 2019	<u>\$ -</u>	<u>14,927</u>	<u>31,084</u>	<u>4,131</u>	<u>50,142</u>
Balance at January 1, 2018	\$ -	9,602	19,243	2,932	31,777
Amortization	-	2,680	5,920	571	9,171
Balance at December 31, 2018	<u>\$ -</u>	<u>12,282</u>	<u>25,163</u>	<u>3,503</u>	<u>40,948</u>
Carrying value:					
Balance at December 31, 2019	<u>\$ 58,000</u>	<u>12,729</u>	<u>28,124</u>	<u>1,883</u>	<u>100,736</u>
Balance at December 31, 2018	<u>\$ 58,000</u>	<u>15,536</u>	<u>34,045</u>	<u>2,274</u>	<u>109,855</u>
Balance at January 1, 2018	<u>\$ 58,000</u>	<u>18,216</u>	<u>39,965</u>	<u>1,906</u>	<u>118,087</u>

(i) Amortization expense

The amortization of intangible assets is included in the statement of comprehensive income:

	<u>2019</u>	<u>2018</u>
Operating expenses	<u>\$ 9,317</u>	<u>9,171</u>

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(ii) Impairment test of goodwill

Goodwill arising from the acquisition of 518 Technology Co., Ltd. on January 1, 2015 was mainly attributable to the expected benefit derived from the operating revenue growth of 518 Human Resource. According to IAS 36, goodwill acquired in a business combination is tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the acquirer's cash-generating units that are expected to benefit from the synergies of the combination. 518 Human Resource itself is a separate cash-generating unit that can generate independent cash inflows; therefore, goodwill is tested for impairment by comparing the recoverable amount of 518 Human Resource with its carrying amount to determine whether an impairment loss should be recognized.

The Company obtains the customers of 518 Technology Co., Ltd. through acquisition. It is expected to bring synergy to other platforms of the Company. Enhance the Company's brand effectiveness, increase the opportunities for cross-promotion among platforms.

Base on the result of impairment test, the recoverable amount of 518 Human Resource was greater than its carrying amount; thus, no impairment loss was recognized.

The recoverable amount of 518 Human Resource was based on its value-in-use, determined by discounting the future cash flows to be generated from the continuing use of 518 Human Resource. The key assumptions used in the estimation of value-in-use were as follows:

	December 31, 2019	December 31, 2018
Discount rate	10.94 %	11.91 %

The discount rate was a pre-tax measure based on the capital asset pricing model, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

(iii) Guarantee

As of December 31, 2019 and 2018, the intangible asset of the Company had not been pledged as collateral for long-term borrowings.

(l) Other financial assets

Other financial assets of the Company were as follows:

	December 31, 2019	December 31, 2018
Other current financial assets	\$ 104,590	104,590
Other receivables	905	482
Current restricted assets	441,265	429,336
	\$ 546,760	534,408

Current restricted assets mainly consist of time deposits pledged as collateral and receipts under custody from transaction between members on 8591 Virtual Treasure Trade. Please refer to note 8 for the information of pledged assets.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(m) Other current assets and other non-current assets

Other current assets and other non-current assets were as follows:

	December 31, 2019	December 31, 2018
Current prepaid expense	\$ 3,247	9,941
Current temporary payments	2,407	1,375
Subtotal	5,654	11,316
Guarantee deposits paid	628	696
Right-of-use asset	10,216	-
Subtotal	10,844	696
Total	\$ 16,498	12,012

(i) Current prepaid expense

Current prepaid expense mainly consist of system outsourcing usage fee, domain service fee, rent and insurance.

(ii) Current temporary payments

Temporary payments consist of payment from online payment and collectiong on behalf of others on 8591 Virtual Treasure Trade and others.

(n) Other payables and Receipts under custody

Other payables and Receipts under custody were as follows:

	December 31, 2019	December 31, 2018
Current tax liabilities	\$ 71,309	75,204
Employee compensation payable	51,800	54,885
Compensation due to directors and supervisors	7,400	7,323
Wages and salaries payable	19,034	16,251
Expenses payable	20,790	19,002
Other	13,108	19,138
Subtotal	183,441	191,803
Receipts under custody	414,788	417,101
Total	\$ 598,229	608,904

Receipts under custody are collection on behalf of others which are not retrieved from member transaction on 8591 Virtual Treasure Trade. The collection is deposited in individual trust accounts of E. Sun Bank.

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

(o) Operating lease

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018
Less than one year	\$ 6,859
Between one and five years	4,602
	\$ <u>11,461</u>

The Company leases office building and broadband network under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect rental at fair value. Some leases provide for additional rent payments that are based on changes in a local price index.

(ii) Leases as lessor

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(j) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2019
Less than one year	\$ 2,090
Between one and five years	380
	\$ <u>2,470</u>

The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018
Less than one year	\$ 1,634
Between one and five years	800
	\$ <u>2,434</u>

Rental income from investment property was \$2,091 thousand and \$1,595 thousand for 2019 and 2018, respectively.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(p) Employee benefits

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs amounted to \$4,186 thousand and \$3,740 thousand for the years ended December 31, 2019 and 2018, respectively.

(q) Income tax

(i) Income tax expense

The components of income tax in the years 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense		
Current period	\$ 140,649	138,590
Adjustment for prior periods	<u>48</u>	<u>(168)</u>
	<u>140,697</u>	<u>138,422</u>
Deferred tax expense		
Origination and reversal of temporary differences	9,066	3,703
Adjustment in tax rate	<u>-</u>	<u>(4,078)</u>
	<u>9,066</u>	<u>(375)</u>
Tax expense	<u><u>\$ 149,763</u></u>	<u><u>138,047</u></u>

For the years ended December 31, 2019 and 2018, there was no income tax recognized in equity or other comprehensive income.

Reconciliation of income tax and profit before tax for 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Profit excluding income tax	\$ <u>750,922</u>	<u>733,587</u>
Income tax using the company's domestic tax rate	150,184	146,718
Tax-exempt income	(3,772)	(4,425)
Change in unrecognized temporary differences	5,505	-
Change in provision in prior periods	48	-
Undistributed earnings additional tax	118	-
Adjustment in tax rate	-	(4,078)
Others	<u>(2,320)</u>	<u>(168)</u>
	<u><u>\$ 149,763</u></u>	<u><u>138,047</u></u>

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	\$ <u>10,427</u>	<u>4,922</u>

2) Recognized deferred tax assets and liabilities

Change in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	Unrealized loss on valuation of inventories	Loss on investment	Others	Total
Deferred tax assets:				
Balance at January 1, 2019	\$ 680	20,294	2,521	23,495
Recognized in profit or loss	<u>(680)</u>	<u>(8,294)</u>	<u>(24)</u>	<u>(8,998)</u>
Balance at December 31, 2019	\$ <u>-</u>	<u>12,000</u>	<u>2,497</u>	<u>14,497</u>
Balance at January 1, 2018	\$ 1,547	20,522	1,225	23,294
Recognized in profit or loss	<u>(867)</u>	<u>(228)</u>	<u>1,296</u>	<u>201</u>
Balance at December 31, 2018	\$ <u>680</u>	<u>20,294</u>	<u>2,521</u>	<u>23,495</u>
			<u>Others</u>	
Deferred tax liabilities:				
Balance at January 1, 2019			\$ (13)	
Recognized in profit or loss			<u>(68)</u>	
Balance at December 31, 2019			\$ <u>(81)</u>	
Balance at January 1, 2018			\$ (187)	
Recognized in profit or loss			<u>174</u>	
Balance at December 31, 2018			\$ <u>(13)</u>	

(iii) Assessment of tax

The Company's tax returns for the years through 2017 were assessed by the tax authority.

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

(r) Capital and other equity

As of December 31, 2019 and 2018, the total value of authorized ordinary shares were both amounted to \$500,000 thousand with par value of \$10 per share, and the contributed capital were amounted to \$425,755 thousand and \$425,790 thousand, respectively.

Reconciliation of shares outstanding for 2019 and 2018 were as follows:

(in thousand shares)

	Ordinary share	
	2019	2018
Balance on January 1	42,579	42,581
Retirement of restricted employee stock	(3)	(2)
Balance on December 31	<u>42,576</u>	<u>42,579</u>

(i) Ordinary share

In 2019 and 2018, the Company cancelled 3 thousand and 2 thousand shares since the employees did not achieve the vesting conditions of restricted employee stock.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Share premium	\$ 338,956	408,611
Restricted employee stock	-	10,294
Employee share options	2,269	2,269
Changes in equity of associated and joint ventures accounted for using equity method	<u>641</u>	<u>641</u>
	<u>\$ 341,866</u>	<u>421,815</u>

At the general meeting of shareholders held on June 20, 2019, and June 14, 2018, the Company approved a resolution to distribute \$80,900 thousand and \$149,032 thousand from capital surplus of share premium as cash dividend of \$1.9 and \$3.5 per share, respectively.

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

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(iii) Retained earnings

According to the Company's article of incorporation amended on June 20, 2019, the Company's annual net profit shall first pay taxes, offset accumulated deficits, and then allocate 10% thereof as legal reserve. However, where such legal reserve amounts reach to the total authorized capital, this provision shall not apply. In consideration of the operation needs and relative laws and regulations, the Company shall allocate special reserve. If there are remaining profits after paying share dividends, the profits shall be added with any accumulated unappropriated earnings from prior years, and the Board of Directors shall propose an earnings distribution plan for the resolution of the general meeting of shareholders.

The Company is in the stage of enterprise growth. The dividends will be, and will be distributed in the types of stock dividends or cash dividend, which will be determined moderately according to the future capital demand and equity dilution. The cash dividends shall not be less than 10% of the total dividends in principle. However, the type and ratio of this surplus distribution shall depend on the actual profit and capital status of the year, and shall be approved by the resolution of the Shareholders' meeting.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2019 and 2018, the balance of special earnings reserve were \$200,278 thousand and 121,582 thousand.

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Adden Technology Co., Ltd.
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3) Earnings Distribution

Earnings distribution for 2018 and 2017 was decided by the resolution adopted, at the general meeting of shareholders held on June 20, 2019 and June 14, 2018, respectively. The relevant dividend distributions to shareholders were as follow:

	2018		2017	
	Amount per Share	Amount (thousand)	Amount per Share	Amount (thousand)
Dividends distributed to common shareholders:				
Cash	\$ 10.60	<u>451,337</u>	12.00	<u>510,966</u>

On March 12, 2020, the Company resolved to appropriate the 2019 earnings to its shareholders with the cash dividend amounting to \$12.2 dollar per share and a share premium of \$0.6 dollar per share from capital surplus.

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through over comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Unearned compensation	Total
Balance at January 1, 2019	\$ (80,934)	(119,343)	-	(2,278)	(202,555)
Exchange differences of net asset in foreign operations	(22,795)	-	-	-	(22,795)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(704)	-	-	(704)
Share-based payment	-	-	-	2,278	2,278
Balance at December 31, 2019	<u>\$ (103,729)</u>	<u>(120,047)</u>	<u>-</u>	<u>-</u>	<u>(223,776)</u>
Balance at January 1, 2018	\$ (69,437)	-	(52,143)	(15,487)	(137,067)
Effects of retrospective application	-	(49,695)	52,143	-	2,448
Balance at January 1, 2018 after adjustments	(69,437)	(49,695)	-	(15,487)	(134,619)
Exchange differences of net asset in foreign operations	(11,497)	-	-	-	(11,497)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(69,648)	-	-	(69,648)
Share-based payment	-	-	-	12,910	12,910
Retirement of restricted employee stock	-	-	-	299	299
Balance at December 31, 2018	<u>\$ (80,934)</u>	<u>(119,343)</u>	<u>-</u>	<u>(2,278)</u>	<u>(202,555)</u>

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(s) Share-based payment

The Board of Directors' meeting on June 16, 2016, the Company decided to award 737 thousand new shares of restricted stock to those full-time employees whose performance assessment was excellent. The restricted stock which has been registered and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. would be issued in different times. On September 19, 2016, the Board of Directors issued 320 thousand shares of the restricted stock. The record date for the capital increase through issuance of restricted shares was October 14, 2016.

Those employees with the restricted stock awards are entitled to obtain complimentary shares with the condition that these employees achieve the performance and continue to provide service to the Company for at least 3 years (from the grant date). 40% of the restricted stock is vested in year 1 after the grant date, 40% is vested in year 2 after the grant date, and the remaining 20% is vested in year 3 after the grant date.

If these employees who obtain the restricted stock awards violate Regulations Governing Issuance of Restricted Stock Awards in 2016, employment contract, confidential contract, trust contract, Ethical Corporate Management Best Practice Principles, Codes of Ethical Conduct, the Rules of Information Security, Work Rules, and so on, the Company will repurchase all the unvested shares without charge, and cancel the shares thereafter.

These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period, except for inheritance. The voting rights of these shareholders are executed by the custodian, and the custodian will act based on law and regulations. The rights of shares are the same as issued ordinary share, except for the above restrictions.

As of December 31, 2019 and 2018, the balances of unearned compensation were \$0 thousand and \$2,278 thousand and the expenses sprang from the restricted stock awards were \$3,194 thousand and \$14,546 thousand, respectively.

Digit Marketing Co., Ltd. and Adden Technology (HK) Co., Ltd. conducted cash offering and retained part of its shares for the Group's employees in September, 2018. The expense from the share which the Company's employee subscribed was \$2,269 thousand.

(t) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders of the Company	\$ <u>601,159</u>	<u>595,540</u>
Weighted average number of ordinary shares (thousand shares)	<u>42,529</u>	<u>42,417</u>
Basic earnings per share (NT dollars)	<u>\$ 14.14</u>	<u>14.04</u>

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Adden Technology Co., Ltd.
Notes to the Financial Statements

	<u>2019</u>	<u>2018</u>
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the Company	\$ <u>601,159</u>	<u>595,540</u>
Weighted average number of ordinary shares (thousand shares)	42,529	42,417
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	254	274
Effect of restricted employee shares unvested	<u>48</u>	<u>50</u>
Weighted average number of ordinary shares (diluted)	<u>42,831</u>	<u>42,741</u>
Diluted earnings per share (NT dollars)	<u>\$ 14.04</u>	<u>13.93</u>

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Taiwan	\$ <u>1,413,137</u>	<u>1,417,973</u>
Major products/services lines:		
Revenue of internet service	\$ 1,071,110	1,008,218
Platform commission income	330,835	345,150
Product sales	<u>11,192</u>	<u>64,605</u>
	<u>\$ 1,413,137</u>	<u>1,417,973</u>

For the years ended December 31, 2019 and 2018, revenue from e-commerce were \$1,311,824 thousand and \$1,314,348 thousand, which were 93% and 93% of total revenue.

(ii) Contract balances

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Accounts receivable	\$ 107,306	127,657	136,624
Less: allowance for impairment	<u>(24,598)</u>	<u>(11,804)</u>	<u>(626)</u>
	<u>\$ 82,708</u>	<u>115,853</u>	<u>135,998</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liability-internet service	\$ 196,687	184,469	177,145
Contract liability-online advertising solicitation	<u>-</u>	<u>1</u>	<u>389</u>
	<u>\$ 196,687</u>	<u>184,470</u>	<u>177,534</u>

For details on account receivable and allowance for impairment, please refer to note 6(c).

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were \$184,470 thousand and \$177,534 thousand, respectively.

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Notes to the Financial Statements

(v) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation amended on June 20, 2019, where the Company has earnings in a giving year, the Company shall allocate 1% or above of earnings as staff remunerations, 3% or below as Directors and Supervisors remunerations. However, if there is still accumulated loss of the Company, the Company shall reserve the compensation amount in advance.

The persons who are entitled to receive cash or shares as staff remuneration stipulated in the preceding paragraph including the employees of parents or subsidiaries of the Company meeting certain specific requirements.

For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration and directors' and supervisors' remuneration amounting as following:

	2019	2018
Employee compensation	\$ 51,800	54,860
Directors' and supervisors' remuneration	7,400	7,323
	\$ 59,200	62,183

The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018.

The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2019 and 2018. Related information would be available at the Market Observation Post System website.

(w) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	2019	2018
Interest income	\$ 3,665	4,694
Rent income	2,901	1,595
Dividend income	1,478	400
Handling charge	8,105	9,524
Other income, others	3,121	14,708
	\$ 19,270	30,921

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(ii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2019</u>	<u>2018</u>
Losses on disposals of property, plant and equipment	\$ -	23
Gains on disposals of investment	545	1,921
Foreign exchange gains (losses)	1,158	(90)
Miscellaneous disbursements	<u>(87)</u>	<u>(304)</u>
	<u>\$ 1,616</u>	<u>1,550</u>

(iii) Finance costs

The details of finance costs were as follows:

	<u>2019</u>	<u>2018</u>
Interest expense	\$ <u>260</u>	<u>-</u>

(x) Reclassification adjustments of components of other comprehensive income

The details of reclassification adjustments of components of other comprehensive income were as follows:

	<u>2019</u>	<u>2018</u>
Debt instruments at fair value through other comprehensive income		
Net change in fair value	\$ 584	(2,679)
Net change in fair value reclassified to profit or loss	<u>(545)</u>	<u>(240)</u>
Net change in fair value recognized in other comprehensive income	<u>\$ 39</u>	<u>(2,919)</u>

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(y) Financial instrument

(i) Type of financial instruments

1) Financial assets

	December 31, 2019	December 31, 2018
Financial assets at fair value through other comprehensive income	\$ <u>155,668</u>	<u>173,872</u>
Amortized cost financial assets:		
Cash and cash equivalents	458,769	481,736
Notes and trade receivable	82,708	115,853
Trade receivable due from related parties	64,821	20,781
Other financial assets	<u>546,760</u>	<u>534,408</u>
Total	\$ <u>1,308,726</u>	<u>1,326,650</u>

2) Financial liabilities

	December 31, 2019	December 31, 2018
Financial liabilities measured at amortized cost:		
Notes and trade payables	\$ 14	3,711
Accounts payable to related parties	76,535	68,786
Other payables	183,441	191,803
Receipts under custody	<u>414,788</u>	<u>417,101</u>
Total	\$ <u>674,778</u>	<u>681,401</u>

(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As the Company has a large customer base and does not have a significant concentration of transactions with a single customer, the credit risk of accounts has no significant concentration.

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Contractual cash flows</u>	<u>Within 6 months</u>
December 31, 2019		
Non-derivative financial liabilities		
Notes and trade payables	\$ 14	14
Trade payable to related parties	76,535	76,535
Other payables	183,441	183,441
Receipts under custody	<u>414,788</u>	<u>414,788</u>
	<u><u>\$ 674,778</u></u>	<u><u>674,778</u></u>
December 31, 2018		
Non-derivative financial liabilities		
Notes and trade payables	\$ 3,711	3,711
Trade payable to related parties	68,786	68,786
Other payables	191,803	191,803
Receipts under custody	<u>417,101</u>	<u>417,101</u>
	<u><u>\$ 681,401</u></u>	<u><u>681,401</u></u>

(iv) Currency risk

1) Exposure to foreign currency risk

The Company did not face significant exposure to foreign currency risk on financial assets and liabilities.

(v) Interest rate analysis

The Company's financial asset and liabilities did not face risk exposure to interest rate, please refer to the notes on liquidity risk management of the Company's financial assets and liabilities.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(vi) Other market price risk

For the years ended December 31, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Price of securities at the reporting date	2019		2018	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 1%	\$ 1,236	-	1,035	-
Decreasing 1%	\$ (1,236)	-	(1,035)	-

(vii) Information of fair value

1) Fair value hierarchy

The fair value of financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
	Book Value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks in domestic listed company	\$ 24,983	-	24,983	-	24,983
Stock in domestic unlisted company	98,629	-	-	98,629	98,629
Funds investments	14,762	14,762	-	-	14,762
Bonds investments	17,294	17,294	-	-	17,294
Total	\$ 155,668	32,056	24,983	98,629	155,668

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	December 31, 2018				
	Book Value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks in domestic listed company	\$ 58,198	-	58,198	-	58,198
Stocks in domestic listed company	45,323	-	-	45,323	45,323
Funds investments	14,158	14,158	-	-	14,158
Bonds investments	56,193	56,193	-	-	56,193
Total	<u>\$ 173,872</u>	<u>70,351</u>	<u>58,198</u>	<u>45,323</u>	<u>173,872</u>

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quoted price of a financial instrument obtained from major exchanges and over-the counter markets are the basis used to determine the fair value of a listed company's stock and the quoted prices in an active market.

In addition, the fair value of a private equity instrument is measured by its market value, taking its non-active-market liquidity discount into consideration by adjusting its market value using its put option. The main assumption is that when an investor hold such a restricted equity instrument, the investor can buy a put option, with the strike price equivalent to the market value of such restricted equity instrument, to ensure that the investor can still sell its instrument at current market price after termination of restricted trading period. Therefore, the value of its put option, which is measured by using the Black-Scholes model, stands for the cost that the investor is willing to pay in order to ensure the liquidity of equity security market.

The Company uses the following methods in determining the fair value of its financial instruments without a quoted price in an active market:

Financial assets at FVOCI- non-current are investments in non-listed stock. The fair value is based on the market approach of comparable business. For non-listed stock, the price is based on the estimated earnings before interest, taxes, depreciation, and amortization of investee and the quoted price in an active market of comparable companies. The estimated fair value is adjusted for the lack of liquidity.

Financial assets at FVOCI- non-current are investments in non-listed stock. The fair value is based on discounted cash flow method. The main assumption is that the expected future cash flow of the investee will be measured at a discount rate that reflects the time value of money and investment risk.

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

3) Reconciliation of Level 3 fair values

	<u>Fair value through other comprehensive income</u>
	<u>Unquoted equity instruments</u>
Opening balance, January 1, 2019	\$ 45,324
Total gains and losses recognized	
In profit or loss	-
In other comprehensive income	3,305
Purchased	50,000
Ending Balance, December 31, 2019	<u>\$ 98,629</u>
Opening balance, January 1, 2018	36,948
Total gains and losses recognized	
In profit or loss	-
In other comprehensive income	8,376
Ending Balance, December 31, 2018	<u>45,324</u>

For the years ended December 31, 2019 and 2018, total gains and losses that were included in “other gains and losses”, and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	<u>2019</u>	<u>2018</u>
Total gains and losses recognized		
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ 3,305	10,823

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company’s financial instruments that use Level 3 inputs to measure fair value in “financial assets measured at fair value through other comprehensive income – equity security investments”.

Most of fair value that use Level 3 have single significant unobservable inputs, only measurements of fair value of equity instruments without an active market had several significant unobservable inputs. Due to independence of significant unobservable inputs in equity instruments without an active market, there were no exist correlation between each other.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

Quantified information of significant unobservable inputs was as follows :

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investments without an active market	Comparable company analysis	· P/B ratio (0.79~20.98 and 2.23~14.02 on December 31, 2019 and 2018, respectively) · P/E ratio (15.36~19.82 on December 31, 2018) · Lack-of-Marketability Discount (19.88%~37.09% and 9.54%~48.04% on December 31, 2019 and 2018, respectively)	The estimated fair value would increase (decrease) if: · The P/B ratio were higher (lower); · The P/E ratio were higher (lower); · Lack-of-Marketability discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Binomial options pricing model	· Volatility (37.11% on December 31, 2019) · Equity Value (8.29 on December 31, 2019)	The estimated fair value would increase (decrease) if: · The volatility were lower (higher); · The equity value were higher (lower).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net asset valuation method	· Net asset valuation	Not applicable

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

5) Fair value measurements in Level 3– sensitivity analysis of reasonably possible alternative assumptions

			Profit or loss		Other comprehensive income	
	Inputs	Variation	Favourable	Unfavourable	Favourable	Unfavourable
December 31, 2019						
Financial assets fair value through other comprehensive income						
Investment in equity instrument without active market	P/B ratio	5%	-	-	1,976	(1,975)
	Lack-of-Market ability discount	1%	-	-	629	(628)
	Volatility	1%	-	-	680	(690)
	Equity value	5%	-	-	590	(600)
December 31, 2018						
Financial assets fair value through other comprehensive income						
Investment in equity instrument without active market	P/B ratio	1%	-	-	450	(451)
	P/E ratio	1%	-	-	658	(658)
	Lack-of-Market ability discount	1%	-	-	315	(315)

(z) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has responsibility for the establishment and oversight of the risk management framework. Internal Audit is responsible for identifying and analyzing the risk faced by the Company. The heads of departments set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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The supervisors and independent directors oversee how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The supervisors and independent directors are assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the supervisors and independent directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Trade and other receivable

The Company's exposure of risk are affected by the individual status of each client. The management also considers the statistics of the client basic data, including default risk of industry and country, these factors might affect credit risk.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and represent the maximum open amount without requiring approval; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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1) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (NTD), Hong Kong Dollar (HKD), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, US Dollar (USD), HKD, and CNY.

2) Other market price risk

The financial assets at fair value through other comprehensive income held by the Company are invested in stocks in domestic listed company and stocks in unlisted company. Because those are measured at fair value, the Company exposed to changes in the equity price. To manage market risk, the Company need to choose investment targets carefully and control the positions the Company held.

(aa) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity.

The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 918,707	900,914
Less: cash and cash equivalents	<u>458,769</u>	<u>481,736</u>
Net debt	\$ 459,938	419,178
Total equity	\$ 1,750,991	1,702,374
Debt-to-equity ratio at December 31	<u>26.27</u> %	<u>24.62</u> %

The debt to equity ratio had increased on December 31, 2019 due to the net increase in liabilities resulting from the recognition of lease liabilities since the Company adopted the IFRS 16 this year.

(Continued)

Addcn Technology Co., Ltd.
Notes to the Financial Statements

(ab) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow to acquire right-of-use assets in the years ended December 31, 2019.

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes				December 31, 2019
			Acquisition	Foreign exchange movement	Fair value changes	Others	
Lease liabilities	\$ 6,178	(2,766)	-	-	-	6,865	10,277
Total liabilities from financing activities	\$ 6,178	(2,766)	-	-	-	6,865	10,277

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Company
Addcn Technology (Samoa) Co., Ltd.	A subsidiary of the Company
Addcn Technology (SHENZHEN) Co., Ltd.	A subsidiary of the Company
Addcn Technology (HK) Co., Ltd.	A subsidiary of the Company
Digit Marketing Co., Ltd.	An associate of the Company
Element III Venture Capital Co., Ltd.	Same chairman with the Company

(b) Significant transactions with related parties

- (i) The Company lost control over Digit Marketing Co., Ltd on October 22, 2018. From January 1 to October 22, 2018, Digit Marketing was still listed in the consolidated financial statements; therefore, the profit and loss arising from transactions with Digit Marketing during the period was eliminated in the consolidated financial statements.
- (ii) The amounts of services provided by the Company to related parties and account receivable due to related parties were as follows:

	Sales amount		Trade receivable	
	2019	2018	December 31, 2019	December 31, 2018
Associate-Digit Marketing	\$ 91,068	4,949	64,777	20,781

The Company entered into an advertising sales contract and data use contract with Digit Marketing amounting to \$91,068 thousand in September 2019, with the contract period from October 1 to December 31, 2019. Trade receivable from related parties amounting to \$64,777 thousand for the year ended December 31, 2019 were uncollateralized; thus, no expected credit loss was required after the assessment. The term of receivable was 180 days.

The Company entered into an advertising sales contract with Digit Marketing in October 2018, with the period from October 15, 2018 to December 31, 2021. The contract stipulated that the bidding price of the advertising banner shall be determined in accordance with the actual solicitation. However, the contract was terminated on September 18, 2019.

(Continued)

Addcn Technology Co., Ltd.
Notes to the Financial Statements

- (iii) The amounts of purchase of services by Company to related parties and account payable to related parties were as follows:

	Purchase amount		Trade payable	
	2019	2018	December 31, 2019	December 31, 2018
Addcn Technology (SHENZHEN) Co., Ltd.	\$ <u>263,024</u>	<u>229,012</u>	<u>76,535</u>	<u>68,786</u>

The Company and Addcn Technology (SHENZHEN) Co., Ltd. re-signed contract on January 1, 2017. Addcn Technology (SHENZHEN) provides web design, technical support, and regular maintenance. The related service fees are annual operating cost of Addcn Technology (SHENZHEN) plus 7%. The Company pays CNY \$2,500 monthly, and reconciles quarterly. The duration of the contract is 3 years, but both sides can extend or shorten the duration by their needs.

- (iv) Other transaction with related parties

The details of other transaction with related parties were as follows:

Account	Relationship	2019	2018
Commission fee - Digit Marketing	Associate	\$ 25,431	59,818
Other expense	Associate	1,590	-
Rent income	Associate	1,423	583
Other income	Associate	420	10,076
Other income	Subsidiary	1,200	1,200
Operating cost-rent expense	Associate	-	53
Account	Relationship	2019	2018
Other payables	Associate	\$ 295	6,962
Other payables	Subsidiary	106	-
Other receivables	Subsidiary	217	100
Account receivable	Subsidiary	44	-

The Company entered into an advertising project contract with Digit Marketing in September 2019, with the period from October 1 to December 31, 2019. The contract stipulated that the Company need to pay a fixed percentage of amount according to actual solicitation as commission expense. The amount of 25,431 thousand was recognized for the year ended December 31, 2019.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

The Company entered into advertising sales contract with Digit Marketing in October 2018, with the period from October 15, 2018 to December 31, 2021. The contract stipulated the fix ratio for non-advertising solicitations and the bonus for the achievement of cumulative sales in a single season. However, the contract was terminated on September 18, 2019.

(v) Other

The Company invested 4,000,000 Class A special shares and 1,000,000 Class B special shares in Element III Venture Capital Co., Ltd., with total investment of \$50,000 thousand.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 46,210	50,119
Share-based payments	7,960	18,118
	<u>\$ 54,170</u>	<u>68,237</u>

Please refer to note 6(t) for further explanation related to shared-based payments.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Other current financial assets (time deposits)	License of employment service agency	\$ 3,000	3,000
Other current financial assets (trust account)	Obligation of collection and payment on behalf of another party	438,265	426,336
		<u>\$ 441,265</u>	<u>429,336</u>

(9) Significant Commitments and Contingencies: None

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2019			2018		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		42,892	107,497	150,389	35,218	118,072	153,290
Labor and health insurance		4,012	6,305	10,317	2,964	6,308	9,272
Pension		1,960	2,226	4,186	1,496	2,244	3,740
Remuneration of directors		-	5,394	5,394	-	5,511	5,511
Others		82	3,880	3,962	132	3,540	3,672
Depreciation		5,504	16,019	21,523	3,220	11,068	14,288
Amortization		-	9,317	9,317	-	9,171	9,171

For the years ended December 31, 2019 and 2018, additional information of number of employee and employee benefit were as follows:

	2019	2018
Number of employees	<u>138</u>	<u>128</u>
Number of directors who were not employees	<u>5</u>	<u>5</u>
The average employee benefit	\$ <u>1,270</u>	\$ <u>1,382</u>
The average salaries and wages	\$ <u>1,131</u>	\$ <u>1,246</u>
Adjustment of the average salaries and wages	<u>(9.23)%</u>	

(Continued)

Adden Technology Co., Ltd.

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the Regulations for the Company:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock	None	Equity investments at FVOCI	360	9,786	11.42 %	9,786	
The Company	Jacker cleaning Inc. Stock	None	"	2,000	15,290	3.64 %	15,290	
The Company	Element I Venture Capital Co., Ltd. Stock	None	"	100	29,203	4.68 %	29,203	
The Company	Cherri Tech Inc. Class A special share	Note1	"	4,000	29,240	- %	29,240	Note2
The Company	Element III Venture Capital Co., Ltd. Class B special share	Note1	"	1,000	15,110	- %	15,110	Note2
The Company	Element III Venture Capital Co., Ltd. Stock	None	"	9,572	24,983	8.11 %	24,983	
The Company	Newretail Co., Ltd. Fund	None	Debt investments at FVOCI	-	1,729	- %	1,729	
The Company	UPAMC China High Yield Bond Fund	None	"	-	4,033	- %	4,033	
The Company	UPAMC Dyna-Strategy Global Multi-Asset Fund B TWD	None	"	-	9,000	- %	9,000	
The Company	Amundi Funds II-Emerging Markets Bond A USD D ExD	None	"	-	17,294	- %	17,294	
The Company	Saudi Arabian Oil Company Corporate Bond	None	"	-	17,294	- %	17,294	
Samoa	Stock	None	Equity investments at FVOCI	-	103,638	1.72 %	103,638	
	Bridge Root Fund, L.P.							

Note1: The chairman is the same as the Company

Note2: No voting, suffrage and candidate eligibility at ordinary shareholders' meeting.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: None

(Continued)

Adden Technology Co., Ltd.

Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Adden Technology (Samoa) Co., Ltd.	Samoa	Foreign holding company	950,236 (USD29,760)	950,236 (USD27,510)	29,760	100.00 %	765,968	13,944	13,944	Subsidiary (Note)
The Company	Digit Marking Co., Ltd.	Taiwan	Advertising	7,441	7,441	1,199	33.29 %	35,988	52,215	17,382	Associate
Adden Technology (Samoa)	Adden Technology (HK) Co., Ltd.	Hong Kong	Electronic information supply	204,005 (USD6,500)	204,005 (USD6,500)	6,500	70.00 %	42,305	(1,024)	(717)	Subsidiary (Note)

Note: Transactions within the Group were eliminated in the consolidated financial statements except for Digit Marketing Co., Ltd.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 3)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019 (Note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019 (Note 3)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Adden Technology (SHENZHEN) Co., Ltd.	System application management, maintenance and customer service	606,814 (USD20,200)	(1)	606,814 (USD20,200)	-	-	606,814 (USD20,200)	14,646	100.00%	14,646	600,900	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
606,814 (USD20,200)	757,014 (USD25,200)	1,050,595

Note 1: Re-investment company in mainland China established through investments of a third district.

Note 2: Recognized according to the audit financial statements of the company invested into.

Note 3: The amounts of accumulated outflow of investment from Taiwan were translated into New Taiwan dollars at the reporting date.

Note 4: The upper limit on investment was calculated in accordance with the regulations of the Investment Commission of the Ministry of Economic Affairs for 60% of the net equity or consolidated net equity.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

Addcn Technology Co., Ltd.
Notes to the Financial Statements

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2019.

Adden Technology Co., Ltd.
Statement of cash and cash equivalents
December 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Petty cash		\$ <u>50</u>
Cash in bank	Check deposits	10
	Demand deposits	449,185
	Foreign deposits (USD\$27 thousand, Exchange rate 30.04)	805
	(CNY\$2,023 thousand, Exchange rate 4.31)	<u>8,719</u>
	Subtotal	<u>458,719</u>
Total		<u><u>\$ 458,769</u></u>

Statement of trade receivables

Client name	Description	Amount
Company A	Sales	\$ 53,794
Company B	"	23,995
Company C	"	13,109
Others (individual accounts with less than 5% of the total amount)	"	<u>16,408</u>
Subtotal		107,306
Less: Allowance for doubtful accounts		<u>(24,598)</u>
Total		<u><u>\$ 82,708</u></u>

Adden Technology Co., Ltd.

Statement of financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Addition		Decrease		Ending Balance		Accumulated impairment	Collateral	Note
	Shares or units	Fair value	Shares or units	Amount	Shares or units	Amount	Shares or units	Fair Value			
Debt investments at Fair Value through Other Comprehensive Income											
UPAMC China High Yield Bond Fund	200 \$	1,740	-	-	-	(11)	200	1,729	-	None	None
Amundi Funds II-Emerging Markets Bond U USD D ExD	6,632	8,723	-	-	(6,632)	(8,723)	-	-	-	None	Note 1
Amundi Funds II-Emerging Markets Bond A USD D ExD	-	-	5,080	9,000	-	-	5,080	9,000	-	None	Note 1
UPAMC Dyna-Strategy Global Multi-Asset Fund B TWD	500	3,695	-	338	-	-	500	4,033	-	None	None
Citigroup Global Market Inc. Corporate Bond	85	37,859	-	-	(85)	(37,859)	-	-	-	None	None
Formosa Group Corporate Bond	6	18,334	-	-	(6)	(18,334)	-	-	-	None	None
Saudi Arabian Oil Company Corporate Bond	-	-	5,300	18,497	-	(1,203)	5,300	17,294	-	None	None
Subtotal		<u>70,351</u>		<u>27,835</u>		<u>(66,130)</u>		<u>32,056</u>			
Equity investments at Fair Value through Other Comprehensive Income											
Element I Venture Capital Co., Ltd.	2,000	23,663	-	-	-	(8,373)	2,000	15,290	N/A	None	None
Cherri Tech Inc.	100	8,538	-	20,665	-	-	100	29,203	N/A	None	None
Jacker cleaning Inc.	343	13,123	17 (Note 2)	-	-	(3,337)	360	9,786	N/A	None	None
Newretail Co., Ltd.	9,572	58,197	-	-	-	(33,214)	9,572	24,983	N/A	None	None
Element III Venture Capital Co., Ltd.-Class A special share	-	-	4,000	40,000	-	(10,760)	4,000	29,240	N/A	None	None
Element III Venture Capital Co., Ltd.-Class B special share	-	-	1,000	15,110	-	-	1,000	15,110	N/A	None	None
Subtotal		<u>103,521</u>		<u>75,775</u>		<u>(55,684)</u>		<u>123,612</u>			
Total		<u>\$ 173,872</u>		<u>103,610</u>		<u>(121,814)</u>		<u>155,668</u>			

Note 1: Amundi Funds II-Emerging Markets Bond U USD D ExD automatically transferred into Amundi Funds II-Emerging Markets Bond A USD D ExD by Fund's prospectus in December 2019.

Note 2: Jacker Cleaning Inc. paid stock dividend during 2019.

Adden Technology Co., Ltd.

Statement of changes in investments accounted for using the equity method

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Investment income/(loss) recognized under equity method, net	Exchange differences on translation	Others	Ending Balance		Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Percentage of ownership	Unit price	Total amount	
Adden Technology (Samoa) Co., Ltd.	29,760	\$ 745,653	-	-	-	-	13,944	(22,795)	29,166	29,760	100 %	-	765,968	None
									(Note 1)					
Digit Marketing Co., Ltd.	799	25,825	400	-	-	7,219	17,382	-	-	1,199	33.29 %	-	35,988	None
			(Note 2)			(Note 3)								
		<u>\$ 771,478</u>		<u>-</u>		<u>7,219</u>	<u>31,326</u>	<u>(22,795)</u>	<u>29,166</u>				<u>801,956</u>	
													<u>794,581</u>	

Note 1: The amount included the share of the investee's other comprehensive income \$29,166 thousand.

Note 2: Digit Marketing Co., Ltd. paid stock dividend in 2019.

Note 3: Digit Marketing Co., Ltd. paid cash dividend in 2019.

Adden Technology Co., Ltd.
Statement of operating costs
December 31, 2019
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Merchandise inventory, beginning of year	\$ 13,116
Add: Purchases(net)	(8)
Less: Merchandise inventory, end of year	-
Transferred to expenses	(5)
Transferred to supplies inventory	(90)
Write-off with allowance for inventory valuation and obsolescence losses	<u>(2,720)</u>
Merchandising cost of goods sold	10,293
Cost of internet platform service	355,840
Gain from price recovery of inventory	<u>(680)</u>
Total	<u><u>\$ 365,453</u></u>

Adden Technology Co., Ltd.
Statement of administrative expenses
For the year ended December 31, 2019
(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrati ve expenses	Research and development expenses	Total
Salary and Wages	\$ 20,132	49,631	43,128	112,891
Advertisement expenses	97,987	500	-	98,487
Other expense	-	27,410	-	27,410
Commission expense	25,431	-	-	25,431
Depreciation expense	-	14,948	1,071	16,019
Handling charge	12,951	-	-	12,951
Amortization expense	-	9,317	-	9,317
Professional service fee	-	6,609	-	6,609
Others (less than 5%)	3,204	22,158	1,456	26,818
Total	<u>\$ 159,705</u>	<u>130,573</u>	<u>45,655</u>	<u>335,933</u>

Please refer to Note 6(m) for “Statement of Other Current Assets”.

Please refer to Note 6(m) for “Statement of Other Non-current Financial Assets”.

Please refer to Note 6(l) for “Statement of Other Current Financial Assets”.

Please refer to Note 6(h) for “Statement of Changes in Property, Plant and Equipment”.

Please refer to Note 6(h) for “Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment”.

Please refer to Note 6(i) for “Statement of Changes in Right-of-use Assets”.

Please refer to Note 6(i) for “Statement of Changes in Accumulated Depreciation of Right-of-use Assets”.

Please refer to Note 6(j) for “Statement of Change in Investment Property”.

Please refer to Note 6(j) for “Statement of Changes in Accumulated Depreciation of Investment Property”.

Please refer to Note 6(k) for “Statement of Changes in Intangible Assets”.

Please refer to Note 6(n) for “Statement of Other Payables”.

Please refer to Note 6(u) for “Statement of Operating Revenues”.

Please refer to Note 6(w) for “Statement of Other Gains and Losses, net”.

Please refer to Note 6(w) for “Statement of Financial costs”.