

Adden Technology Co., Ltd.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**

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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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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 financial statements of Addcn Technology Co., Ltd. ("the Company"), which comprise the balance sheet as of December 31, 2018 and 2017, 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 at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our 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 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 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. In our professional judgments, key audit matters to be communicated in the independent auditor's report are listed below:

1. Impairment assessment of intangible assets

Please refer to note 4(n) for the accounting policy of intangible assets, note 5(a) for information about assumptions and estimation uncertainties of impairment of intangible assets, and note 6(l) for change in intangible assets.

Description of key audit matter:

The Company identified goodwill, customer relationship, job hunting member database, computer software, brands and trademarks through merger and acquisition. Those intangible assets varies with business cycle affected by the market; furthermore, there is a high uncertainty of estimation. Therefore, impairment of intangible assets is a key audit matter in our audit of the financial statements.

How the matter was addressed with our audit:

Our principal audit procedures included: evaluating the CGU with potential impairment that management identified and their external and internal indicators of impairment based on the understanding of the Company, assessing the accuracy of past predictions, examining the bookkeeping records and computation table the management used to measure the recoverable amounts of CGU, measuring the rationality of every assumption used in the preparation of forecasting the future cash flows and recoverable amounts, as well as evaluating whether impairment assessment is disclosed properly.

2. Revenue recognition

Please refer to note 4(p) for the accounting policy of revenue and note 6(v) and note 6(w) for composition of revenue.

Description of key audit matter:

Sales revenue of the Company is mainly generated from operating online platforms. Revenue recognition varies by different trading type and economic substance. Besides, there is large quantity of sales traded through online platforms, increasing misstatement risk of revenue recognition. Therefore, revenue recognition is a key audit matter in our audit of the financial statements.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding trading model of each online platform to assess whether each revenue recognition policy is complied with statements of auditing standards, applying computer auditing skills on testing implementation of control for online platform revenue records, and examining the amount between transaction on online platforms and book value of revenue.

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 auditor's 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 auditor's 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 Sheng-Ho Yu and Mei-Ping Wu.

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2019

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' 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.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Adden Technology Co., Ltd.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017				December 31, 2018		December 31, 2017		
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Assets												
Current assets:												
1100	Cash and cash equivalents (note 6(a))	\$ 481,736	19	370,855	14	2151		Notes payable and accounts payable	\$ 3,711	-	5,850	-
1170	Notes and accounts receivable, net (note 6(e))	115,853	4	135,998	5	2180		Accounts payable to related parties (note 7)	68,786	3	68,690	2
1181	Accounts receivable due from related parties (note 7)	20,781	1	11,130	-	2200		Other payables (note 6(o))	184,841	7	177,436	7
130X	Inventories (note 6(f))	9,716	-	14,495	1	2220		Other payables to related parties (note 7)	6,962	1	-	-
1476	Other current financial assets (note 6(m), 7 and 8)	534,408	21	761,983	28	2131		Advance sales receipts (note 6(v))	184,470	7	177,534	7
1479	Other current assets, others (note 6(n))	11,316	-	25,481	1	2335		Receipts under custody (note 6(o))	417,101	16	399,399	15
		1,173,810	45	1,319,942	49	2399		Other current liabilities, others	3,249	-	3,315	-
									869,120	34	832,224	31
Non-current assets:												
1524	Non-current available-for-sale financial assets (note 6(c))	-	-	218,994	8			Non-Current liabilities:				
1518	Equity investment at fair value through other comprehensive income (note 6(b))	103,521	4	-	-	2570		Deferred tax liabilities (note 6(r))	13	-	187	-
1521	Debt investment at fair value through other comprehensive income (note 6(b))	70,351	3	-	-	2645		Guarantee deposits received	31,781	1	27,581	1
									31,794	1	27,768	1
									900,914	35	859,992	32
1543	Non-current financial assets measured at cost, net (note 6(d))	-	-	34,500	1			Total liabilities				
1550	Investments accounted for using equity method (note 6(g))	771,478	30	692,969	26			Equity attributable to owners of parent (note 6(s)(t)):				
1600	Property, plant and equipment (note 6(i))	230,895	9	231,051	9	3110		Ordinary share	425,790	16	425,805	16
1760	Investment property, net (note 6(k))	119,187	4	53,923	2	3200		Capital surplus	421,815	16	566,585	21
1780	Intangible assets (note 6(f))	109,855	4	118,087	4	3300		Retained earnings	1,057,324	41	978,490	36
1840	Deferred tax assets (note 6(r))	23,495	1	23,294	1	3400		Other equity interest	(202,555)	(8)	(137,067)	(5)
1995	Other non-current assets, others (note 6(n))	696	-	1,045	-			Total equity	1,702,374	65	1,833,813	68
		1,429,478	55	1,373,863	51							
		2,603,288	100	2,693,805	100			Total liabilities and equity	2,603,288	100	2,693,805	100
	Total assets											

See accompanying notes to parent company only financial statements.

(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, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars , except for earnings per share)

	2018		2017	
	Amount	%	Amount	%
4100 Operating revenues (note 6(v)(w) and 7)	\$ 1,417,973	100	1,325,901	100
5000 Operating costs (note 6(f) and 7)	<u>347,557</u>	<u>25</u>	<u>404,228</u>	<u>30</u>
5900 Gross profit (loss) from operations	<u>1,070,416</u>	<u>75</u>	<u>921,673</u>	<u>70</u>
6000 Operating expenses (note 6(e)(f)(g)(h)(i)(j) and 7):				
6100 Selling expenses	209,453	15	178,245	13
6200 Administrative expenses	121,645	9	112,246	8
6300 Research and development expenses	54,862	4	64,483	5
6450 Impairment loss determined in accordance with IFRS 9	<u>11,191</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>397,151</u>	<u>29</u>	<u>354,974</u>	<u>26</u>
6900 Net operating income	<u>673,265</u>	<u>46</u>	<u>566,699</u>	<u>44</u>
Non-operating income and expenses:				
7100 Interest income	4,694	-	5,477	-
7110 Rent income (note 6(p) and 7)	1,595	-	1,813	-
7130 Dividend income	400	-	-	-
7210 Gains on disposals of property, plant and equipment	23	-	-	-
7225 Gains on disposals of investments (note 6(b)(i))	1,921	-	-	-
7375 Share of profit of associates and joint ventures accounted for using equity method (note 6(g))	27,851	2	14,778	1
7190 Other income, others (note 6(y))	24,232	2	15,830	1
7590 Miscellaneous expenses	(304)	-	(859)	-
7630 Foreign exchange losses	<u>(90)</u>	<u>-</u>	<u>(3,264)</u>	<u>-</u>
Total non-operating income and expenses	<u>60,322</u>	<u>4</u>	<u>33,775</u>	<u>2</u>
7900 Profit from continuing operations before tax	733,587	50	600,474	46
7951 Less: income tax expenses (note 6(r))	<u>138,047</u>	<u>10</u>	<u>101,085</u>	<u>8</u>
Profit from continuing operations	<u>595,540</u>	<u>40</u>	<u>499,389</u>	<u>38</u>
Profit (loss) from discontinued operation (note 12(b)):				
8101 Loss from discontinued operation, net of tax	-	-	(7,379)	(1)
8102 Gain on disposal of assets or disposal groups constituting discontinued operation, net of tax	-	-	142,369	11
Total profit from discontinued operation	-	-	<u>134,990</u>	<u>10</u>
Profit	<u>595,540</u>	<u>40</u>	<u>634,379</u>	<u>48</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss				
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(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	2,430	-	-	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
8360 Items that may be reclassified subsequently to profit or loss (note 6(z))				
8361 Exchange differences on translation	(11,497)	(1)	(10,870)	(1)
8362 Unrealized gains (losses) on available-for-sale financial assets	-	-	(52,383)	(4)
8367 Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(2,919)	-	-	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	<u>(14,416)</u>	<u>(1)</u>	<u>(63,253)</u>	<u>(5)</u>
8300 Other comprehensive income, net	<u>(81,145)</u>	<u>(6)</u>	<u>(63,253)</u>	<u>(5)</u>
Total comprehensive income	<u>\$ 514,395</u>	<u>34</u>	<u>571,126</u>	<u>43</u>
9750 Basic earnings per share (NT dollars) (note 6(u))				
From continuing operation	\$ 14.04		11.81	
From discontinued operation	-		3.19	
Total basic earnings per share	<u>\$ 14.04</u>		<u>15.00</u>	
9850 Diluted earnings per share (NT dollars) (note 6(u))				
From continuing operation	\$ 13.93		11.71	
From discontinued operation	-		3.16	
Total diluted earnings per share	<u>\$ 13.93</u>		<u>14.87</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Adden Technology Co., Ltd.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Total other equity interest			
	Share capital				Unrealized gains (losses) on financial assets			
	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) measured at fair value through other comprehensive income
								Unrealized gains (losses) on available-for-sale financial assets
								Unearned equity compensation
								Total other equity interest
Balance on January 1, 2017	425,830	758,681	275,524	12,907	552,802	791,233	(58,567)	-
Profit for the year ended December 31, 2017	-	-	-	-	634,379	634,379	(10,870)	-
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-	(52,383)	-
Comprehensive income for the year ended December 31, 2017	-	-	-	-	634,379	634,379	(63,253)	-
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	-	-	-	-	(52,383)	-
Special reserve	-	-	55,234	-	(55,234)	-	-	-
Cash dividends of ordinary share	-	-	-	45,422	(45,422)	-	-	-
Other changes in capital surplus:	-	-	-	-	(447,122)	(447,122)	-	-
Cash dividends from capital surplus	-	(191,623)	-	-	-	-	-	-
Retirement of restricted stock awards	(25)	(473)	-	-	-	-	-	-
Share-based payments transactions	-	-	-	-	-	-	-	-
Balance on December 31, 2017	425,805	566,585	280,758	58,329	639,403	978,490	(69,437)	-
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)	-
Profit for the year ended December 31, 2018	-	-	-	-	595,540	595,540	(49,695)	-
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	(81,145)	-
Comprehensive income for the year ended December 31, 2018	-	-	-	-	595,540	595,540	(130,682)	-
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	-	-	-	-	(81,145)	-
Special reserve	-	-	63,438	-	(63,438)	-	-	-
Cash dividends of ordinary share	-	-	-	63,253	(63,253)	-	-	-
Other changes in capital surplus:	-	-	-	-	(510,966)	(510,966)	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	641	-	-	-	-	-	641
Cash dividends from capital surplus	-	(149,032)	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-
Share-based payments	-	3,905	-	-	(5,740)	(5,740)	-	-
Retirement of restricted stock awards	(15)	(284)	-	-	-	-	-	-
Balance on December 31, 2018	425,790	421,815	344,196	121,582	591,546	1,057,324	(80,934)	-
							(119,343)	-
							(2,278)	-
							(202,555)	-
							1,702,374	-

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Addcn Technology Co., Ltd.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit from continuing operations before tax	\$ 733,587	600,474
Profit from discontinued operation before tax	-	163,488
Profit before tax	733,587	763,962
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	14,288	13,214
Amortization expense	9,171	8,978
Expected credit loss / Provision for bad debt expense	11,191	-
Interest income	(4,694)	(5,477)
Dividend income	(400)	-
Share-based payments transactions	16,815	35,657
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(27,851)	(14,778)
Loss on disposal of property, plan and equipment	(23)	-
Gain on disposal of investments	(240)	-
Gain on disposal of investments accounted for using equity method	(1,681)	-
Unrealized foreign exchange loss (gain)	(56)	2,584
Gain on sale of discontinued operation	-	(172,425)
Gain from price recovery of inventory	(5,700)	-
Total adjustments to reconcile profit (loss)	10,820	(132,247)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	(697)	(43,504)
Inventories	10,479	32,912
Decrease (increase) in prepayments	(5,679)	18,792
Other current assets	19,844	(6,266)
Other financial assets	1,322	(49,740)
Total changes in operating assets	25,269	(47,806)
Changes in operating liabilities:		
Notes and accounts payable	(2,139)	(4,005)
Accounts payable to related parties	96	13,944
Other payable	201	16,411
Other payable to related parties	6,962	-
Advance sales receipts	6,936	11,821
Other current liabilities	(66)	274
Receipts under custody	17,702	43,549
Total changes in operating liabilities	29,692	81,994
Total changes in operating assets and liabilities	54,961	34,188
Total adjustments	65,781	(98,059)

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Adden Technology Co., Ltd.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash inflow generated from operations	799,368	665,903
Interest received	4,728	5,477
Dividends received	5,869	204
Income taxes paid	(131,218)	(120,191)
Net cash flows from (used in) operating activities	678,747	551,393
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	10,288	-
Acquisition of available-for-sale financial assets	-	(250,803)
Proceeds from disposal of available-for-sale financial assets	-	50,000
Acquisition of financial assets measured at cost	-	(5,000)
Acquisition of investments accounted for using equity method	(69,012)	(22,657)
Proceeds from disposal of discontinued operation	-	164,350
Acquisition of property, plant and equipment	(12,938)	(5,111)
Proceeds from disposal of property, plant and equipment	28	-
Decrease in refundable deposits	349	750
Acquisition of intangible assets	(939)	(1,861)
Acquisition of investment properties	(66,463)	-
Decrease (increase) in other financial assets	226,219	(34,440)
Dividends received	400	-
Net cash flows from (used in) investing activities	87,932	(104,772)
Cash flows from (used in) financing activities:		
Increase in guarantee deposits received	4,200	2,467
Cash dividends paid	(659,998)	(638,745)
Net cash flows from (used in) financing activities	(655,798)	(636,278)
Net increase (decrease) in cash and cash equivalents	110,881	(189,657)
Cash and cash equivalents at beginning of period	370,855	560,512
Cash and cash equivalents at end of period	\$ 481,736	370,855

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
Addcn Technology Co., Ltd.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Addcn 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. Since January 20, 2014, the Company's ordinary shares have been listed on the Taiwan Over-The-Counter Securities Exchange (Gre Tai Securities Market).

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

These financial statements were authorized for issuance by the Board of Directors on March 14, 2019.

(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, 2018.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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Notes to the Financial Statements

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 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Rendering of services

The Company provides digital advertising platforms and related services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognized using the stage-of-completion method. Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Company sells the services in separate transactions.

3) Commission

For commissions earned by the Company, the Company has determined that it acts in the capacity of an agent for certain transactions. Under IFRS 15, the assessment will be based on the whether the Company controls the specific goods before transferring to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

4) Impacts on financial statements

The cumulative effect upon the initially application of IFRS 15 is zero, and this change of accounting policy has no effect on its financial statement, that is, the information of financial statement which does not apply IFRS 15 is the same as this consolidated financial statement. Therefore, there is no need to disclose the financial statement without applying IFRS 15.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	370,855	Amortized cost	370,855
Debt securities	Available-for-sale (note 1)	83,263	FVOCI	83,263
Equity securities	Available-for-sale (note 2)	135,731	FVOCI	135,731
	Available-for-sale (measured at cost) (note 2)	34,500	FVOCI	36,948
Trade and other receivables (including related parties)	Loans and receivables (note 3)	147,128	Amortized cost	147,128
Other financial assets	Loans and receivables (note 3)	761,983	Amortized cost	761,983

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Note1: The corporate debt securities categorized as available-for-sale under IAS 39 are held by the Company's treasury unit in a separate portfolio to provide interest income; however, they may be sold to meet liquidity requirements arising in the normal course of business. The Company considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The corporate debt securities mature in one to two years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9.

Note2: These equity securities (including financial assets measured at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of \$2,448 in those assets recognized, and an increase of \$2,448 in the other equity.

Note3: Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	\$ 253,494	(253,494)	-	-	-	-
From available-for-sale to FVOCI	-	253,494	2,448	-	-	2,448
Total	\$ 253,494	-	2,448	255,942	-	2,448

(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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

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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.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

The Company has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

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When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using these practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
 - adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
 - apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
 - exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
 - use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- 3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices and company car. The Company estimated that the right-of-use assets and the lease liabilities to increase by \$6,178 and \$6,178 respectively. Also, the Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

(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.

So far, the Company does not expect the above changes would have a material impact on the assets, liabilities, and equities on January 1, 2019.

The actual impact of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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- (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 3 “Definition of a Business”	January 1, 2020
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 and IAS 8 “Definition of Material”	January 1, 2020

The Company assessed that the above IFRSs may not be relevant to the Company.

(4) Summary of significant accounting policies:

The accompanying 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 financial statements, the Chinese version shall prevail.

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 (available-for-sale financial assets) are measured at fair value.

(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, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

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Notes to the Financial Statements

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) Fair value through other comprehensive income (Available-for-sale) equity investment;
- 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 hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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 non-controlling 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.

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, foreign exchange gains and losses 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.

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(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) It 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 and cash equivalents comprise cash, demand deposits, and 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

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

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:

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- 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.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments 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 of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

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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.

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;

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- 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 on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets) and debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime 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 is always measured at an amount equal to lifetime ECL.

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

12-month ECLs are the portion of ECLs 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).

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

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 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'.

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

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

ECLs 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). ECLs 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 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 recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-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

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

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On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into the following categories: available-for-sale financial assets and loans and receivables.

1) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables and investments in debt securities with no active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized under non-operating income and expense.

2) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in the non-operating income and expense. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in the non-operating income and expense.

Recovery and loss on doubtful debts of account receivable are included in the operating expense; recovery and loss on doubtful debts of other financial assets are included in non-operating income and expense.

3) **Impairment of financial assets**

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

4) **Derecognition of financial assets**

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

Addcn Technology Co., Ltd.
Notes to the Financial Statements

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on available-for-sale financial assets” in profit or loss is included in non-operating income and expense.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss and included in non-operating income and expenses.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value (including long-term and short-term borrowings, account payable, and other payable, etc.), plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expenses.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expenses.

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities 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 existing 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) Discontinued operations

A discontinued operation is a segment of the Company which it has disposed of and is solely a main practice or operation district. An operation will be classified as a discontinued operation upon disposal.

(i) 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 associates, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio under 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 controlling power.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Company has an obligation or has made payments on behalf of the associate.

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

(j) 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.

(k) 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. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) 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.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Leased assets are depreciated by the straight line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

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

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(m) Lease

(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.

(ii) Lessee

Leases are operating leases and are not recognized in the Company's statement of financial position.

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. The net profit provided by the lessor for incentive of rental purpose during the period of rental is recognized as a decrease of rental expense according to straight-line method.

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

(n) Intangible assets

(i) Goodwill

1) Recognition

Goodwill arising from acquiring subsidiaries is recognized as intangible assets. The measurement of goodwill recognized as intangible assets is described in note 6(I).

2) Measurement

Goodwill is measured at cost, less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method, including goodwill that forms part of the carrying amount of such investment, is not allocated to any asset.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) 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.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(iv) Amortization

The amortizable amount is the cost of an asset less its residual value. Except for goodwill and intangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the 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 |

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(o) Impairment of non-financial assets

The carrying amounts of the Company's non financial assets, other than assets arising from inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are tested at least annually.

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination.

If the carrying amount of each of the CGUs exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

(p) Revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

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.

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.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(ii) Revenue (policy applicable before January 1, 2018)

1) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Transfer usually occurs when the goods is received at the place where customer designates.

2) Services

The Company provides online advertising platform services to its customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

3) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

(iii) Contract costs (policy applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

The Company recognizes the incremental costs of obtaining a contract with a customer as an asset 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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Adden Technology Co., Ltd.
Notes to the Financial Statements

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.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company 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.

(r) Share-based payment

The grant-date fair value of 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.
Notes to the Financial Statements

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 that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(s) **Income taxes**

Income tax expenses include both 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.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to the 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) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) the entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(t) 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.

(u) 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 next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(a) Judgment regarding acting as a principal or as an agent on commission

In respect of commissions, the Company concludes that the following indicators provide further evidence that it does not control the specified goods before they are transferred to the customer, and therefore it acts as an agent.

- The Company neither obliged to provide the goods if the supplier fails to transfer the goods to the customer, nor responsible for the acceptability of the goods.
- The Company does not commit itself to obtain the goods from the supplier before the goods are purchased by the customer, and does not accept responsibility for any damaged or returned goods.
- The Company cannot vary the selling prices set by the supplier.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(a) Impairment of goodwill

The assessment of impairment of goodwill requires the Company to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Please refer to note 6(l) for further description of the impairment of goodwill.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company has established an internal control framework with respect to the measurement of fair value, which includes founding the financial instrument valuation group to review significant unobservable inputs and valuation adjustments (including level 3 fair value) and then report to the chief directly.

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(aa) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash	\$ 50	50
Demand deposits and check deposits	481,686	370,805
Cash and cash equivalents in the statement of cash flows	<u>\$ 481,736</u>	<u>370,855</u>

Time deposits whose term is less than one year are classified to other financial assets.

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

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Notes to the Financial Statements

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

	December 31, 2018
Debt investments at fair value through other comprehensive income:	
UPAMC China High Yield Bond Fund	\$ 1,740
Amundi Funds II-Emerging Markets Bond U USD D ExD	8,723
UPAMC Dyna-Strategy Global Multi-Asset Fund B TWD	3,695
Corporate bonds –Citigroup Global Markets Inc.	37,859
Corporate bonds –Formosa Group	<u>18,334</u>
Subtotal	<u>70,351</u>
Equity investments at fair value through other comprehensive income:	
Domestic unlisted company -Bridge Roots Capital	23,663
Domestic unlisted company -Cherri Tech Inc.	8,538
Domestic unlisted company -Jacker Cleanning Inc.	13,123
Domestic listed company -Newretail Co., Ltd	<u>58,197</u>
Subtotal	<u>103,521</u>
Total	<u><u>\$ 173,872</u></u>

(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 January 1, 2018. The investments were classified as available-for-sale financial assets on December 31, 2017.

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 and the Company realized a gain of \$240, which has been transferred from other equity interest to profit or loss.

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

On January 1, 2018, 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.

These investments were classified as financial assets measured at cost on December 31, 2017, expect for Newretail Co., Ltd. which was classified as available-for-sale financial assets on December 31, 2017.

No strategic investments were disposed as of December 31, 2018, and there was no transfer of any cumulative gain or loss within equity relating to these investments.

(Continued)

Adden Technology Co., Ltd.
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(iii) For credit risk (including the impairment of debt investments) and market risk; please refer to note 6(aa).

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

(c) Non-current available-for-sale financial assets

	December 31, 2017
Investments in listed securities:	
Fund investments	\$ 16,477
Stocks listed on domestic markets	135,731
Bond investments	<u>66,786</u>
Total	<u><u>\$ 218,994</u></u>

(i) The Company invested \$187,994 in private investment in public equity of Newretail Co., Ltd. in cash, which was equivalent to 9,572 thousand shares and acquired non-physical shares on July 25, 2017.

(ii) The Company purchased corporate bonds issued by Formosa Group in the amount of \$19,855 in January 2017, and issued by Citigroup Global Market Inc. in the amount of \$37,954 in July 2017.

(iii) The Company sold Taishin 1699 Money Market Fund with a carrying value of \$50,000 in July 2017, and on the other hand, the Company purchased UPAMC Dyna-Strategy Global Multi-Asset Fund B TWD in the amount of \$50,000 in September 2017.

(iv) These investments were classified as financial assets at fair value through other comprehensive income on December 31, 2018; please refer to note 6(b).

(v) For credit risk and market risk, please refer to note 6(aa).

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

(d) Financial Assets Measured at Cost

	December 31, 2017
Available-for-Sale Financial Assets:	
Domestic unlisted common shares	<u><u>\$ 34,500</u></u>

The aforementioned investments held by the Company were measured at amortized cost as of December 31, 2017, given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Company management had determined that the fair value cannot be measured reliably. These investments were classified as equity investments at fair value through other comprehensive income on December 31, 2018; please refer to note 6(b).

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

For credit risk and market risk, please refer to note 6(aa).

None of the financial assets above are pledged as collateral for long-term borrowings.

(e) Note and trade receivables

	December 31, 2018	December 31, 2017
Note receivables	\$ 45	198
Trade receivables	127,612	136,426
Less: Loss allowance	<u>(11,804)</u>	<u>(626)</u>
	<u>\$ 115,853</u>	<u>135,998</u>

- (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 on December 31, 2018. 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 as of December 31, 2018 was determined as follows:

	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	<u>8,555</u>	100%	<u>8,555</u>
Total	<u>\$ 127,657</u>		<u>11,804</u>

- (ii) As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Past due 61 to 150 days	\$ 2
Past due 151 to 240 days	14
Past due 241 to 360 days	<u>538</u>
	<u>\$ 554</u>

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(iii) The movement in the allowance for notes and trade receivable was as follows:

		December 31, 2017	
	December 31, 2018	Individually assessed impairment	Collectively assessed impairment
Balance at January 1, 2018 and 2017 per IAS 39	\$ 626	-	229
Adjustment on initial application of IFRS 9	-		
Balance at January 1, 2018 per IFRS 9	626		
Impairment losses recognized	11,191	-	397
Amounts written off	(13)	-	-
Balance at December 31, 2018 and 2017	<u>\$ 11,804</u>	<u>-</u>	<u>626</u>

(iv) The aforementioned notes and trade receivable of the Company were not pledged as collateral for long-term borrowings.

(f) **Inventories**

Inventories on December 31, 2018 and 2017 were categorized as follows:

	December 31, 2018	December 31, 2017
Merchandise	\$ 13,116	23,595
Less: Loss allowance	(3,400)	(9,100)
	<u>\$ 9,716</u>	<u>14,495</u>

As of December 31, 2018 and 2017, inventory cost were recognized as cost of sales and expenses amounted to \$46,488 and \$116,064, respectively.

The Company has sold the merchandise whose cost was lower than net realizable value; therefore, the Company reversed write-downs amounted to \$5,700 and reduced the cost of sold for the year ended of 2018.

As of December 31, 2018 and 2017, the Company did not provide any inventories as collateral for its loans.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(g) Investments accounted for using equity method

The details of the investments accounted for using equity method were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	\$ 745,653	692,969
Associates	25,825	-
	\$ 771,478	692,969

(i) Subsidiaries

For the related information, please refer to the consolidated financial statements for the year ended December 31, 2018.

(ii) Associates

The Company's financial information for investments in individually insignificant associates accounted for using the equity method at the reporting date is as follows. These financial information are included in the financial statements.

	December 31, 2018	December 31, 2017
Carrying amount of individually insignificant associates' equity	\$ 25,825	-

In 2018 and 2017, the Company's share of the net income of associates was as follows:

	2018.10.12 ~2018.12.31	2017
Attributable to the Company:		
Profit from continuing operations	\$ 118	-
Other comprehensive income	-	-
Comprehensive income	\$ 118	-

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, 2018 and 2017, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

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

(i) Changes in subsidiaries' equity did not result in the Company's loss of control

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 in September 2018, which reduced the Company's direct holding from 55% to 53.27%. Adden 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 in September 2018, which reduced the Company's indirect holding from 100% to 70%.

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

	2018	
	Digit Marketing Co., Limited	Adden Technology (HK) Co., Limited
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>

(i) Loss control of subsidiaries

The Company gave up acquiring subsidiary's cash capital increase, Digit Marketing Co., Ltd in October 22, 2018. The Company's direct holding decreased from 53.27% to 33.29% and the number of directors is not over half, so it lost control over Digit Marketing. Due to loss of control, the transaction should be considered disposing 53.27% share of Digit Marketing. The fair value of the disposal was \$25,066, and the Company recorded the total gain of \$1,681 under gain on disposal of investments in statements of comprehensive income.

On October 22, 2018, the carrying amount of assets and liabilities of Digit Marketing on the date of disposal were as follow:

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

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings and structures	Office Equipment	Leasehold Improvements	Total
Cost or deemed cost:					
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>316,484</u>
Balance at January 1, 2017	\$ 120,939	96,153	58,738	8,915	284,745
Additions	-	-	4,699	412	5,111
Reclassification from investment property	10,717	5,702	-	-	16,419
Disposals	-	-	(2,439)	-	(2,439)
Balance at December 31, 2017	<u>\$ 131,656</u>	<u>101,855</u>	<u>60,998</u>	<u>9,327</u>	<u>303,836</u>
Depreciation and impairments losses:					
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>85,589</u>
Balance at January 1, 2017	\$ -	7,703	45,815	8,915	62,433
Reclassification from investment property	-	367	-	-	367
Depreciation	-	5,565	6,597	138	12,300
Disposals	-	-	(2,315)	-	(2,315)
Balance at December 31, 2017	<u>\$ -</u>	<u>13,635</u>	<u>50,097</u>	<u>9,053</u>	<u>72,785</u>
Carrying amount:					
Balance at December 31, 2018	<u>\$ 131,656</u>	<u>82,582</u>	<u>16,657</u>	<u>-</u>	<u>230,895</u>
Balance at December 31, 2017	<u>\$ 131,656</u>	<u>88,220</u>	<u>10,901</u>	<u>274</u>	<u>231,051</u>
Balance at January 1, 2017	<u>\$ 120,939</u>	<u>88,450</u>	<u>12,923</u>	<u>-</u>	<u>222,312</u>

As of December 31, 2018 and 2017, the Company did not provide any property, plant and equipment as collateral for its loan.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(k) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2018	\$ 35,745	20,991	56,736
Additions	<u>46,948</u>	<u>19,515</u>	<u>66,463</u>
Balance at December 31, 2018	<u>\$ 82,693</u>	<u>40,506</u>	<u>123,199</u>
Balance at January 1, 2017	\$ 46,462	26,693	73,155
Reclassification to property, plant and equipment	<u>(10,717)</u>	<u>(5,702)</u>	<u>(16,419)</u>
Balance at December 31, 2017	<u>\$ 35,745</u>	<u>20,991</u>	<u>56,736</u>
Depreciation and impairments losses:			
Balance at January 1, 2018	\$ -	2,813	2,813
Depreciation	<u>-</u>	<u>1,199</u>	<u>1,199</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>4,012</u>	<u>4,012</u>
Balance at January 1, 2017	\$ -	2,266	2,266
Depreciation	<u>-</u>	<u>914</u>	<u>914</u>
Reclassification to property, plant and equipment	<u>-</u>	<u>(367)</u>	<u>(367)</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>2,813</u>	<u>2,813</u>
Carrying amount:			
Balance at December 31, 2018	<u>\$ 82,693</u>	<u>36,494</u>	<u>119,187</u>
Balance at December 31, 2017	<u>\$ 35,745</u>	<u>18,178</u>	<u>53,923</u>
Balance at January 1, 2017	<u>\$ 46,462</u>	<u>24,427</u>	<u>70,889</u>
Fair value:			
Balance at December 31, 2018		\$ <u>117,195</u>	
Balance at December 31, 2017		\$ <u>50,003</u>	

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains a 2-year 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(p).

The fair value was based on the latest transaction data announced on Department of Land Administration Ministry of the Interior.

As of December 31, 2018 and 2017, the investment property of the Company hadn't been pledged as collateral for long-term borrowings.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(I) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2018 and 2017, 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, 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>
Balance at January 1, 2017	\$ 58,000	27,818	59,208	2,977	148,003
Additions	-	-	-	1,861	1,861
Balance at December 31, 2017	<u>\$ 58,000</u>	<u>27,818</u>	<u>59,208</u>	<u>4,838</u>	<u>149,864</u>
Accumulated amortization and impairment losses					
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>
Balance at January 1, 2017	\$ -	6,922	13,322	2,555	22,799
Amortization	-	2,680	5,921	377	8,978
Balance at December 31, 2017	<u>\$ -</u>	<u>9,602</u>	<u>19,243</u>	<u>2,932</u>	<u>31,777</u>
Carrying value:					
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 December 31, 2017	<u>\$ 58,000</u>	<u>18,216</u>	<u>39,965</u>	<u>1,906</u>	<u>118,087</u>
Balance at January 1, 2017	<u>\$ 58,000</u>	<u>20,896</u>	<u>45,886</u>	<u>422</u>	<u>125,204</u>

Goodwill arose from the acquisition of 518 Technology Co., Ltd.. The Company tested for impairment for the years ended 2018 and 2017, and there was no evidence that goodwill was impaired.

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

	<u>2018</u>	<u>2017</u>
Operating expenses	<u>\$ 9,171</u>	<u>8,978</u>

As of December 31, 2018 and 2017, the intangible assets of the Company hadn't been pledged as collateral for long-term borrowing.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(m) Other financial assets

Other financial assets of the Company were as follows:

	December 31, 2018	December 31, 2017
Other current financial assets	\$ 104,590	216,047
Other receivables	482	1,838
Current restricted assets	<u>429,336</u>	<u>544,098</u>
	<u>\$ 534,408</u>	<u>761,983</u>

(i) Other current financial asset

Other financial assets mainly consist of time deposits whose term is less than one year.

(ii) Other receivable

Other receivables mainly consist of the fee received from convenience stores, receipts under custody by bank but not transferred into the Company, and interest receivables.

(iii) Current restricted assets

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.

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

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

	December 31, 2018	December 31, 2017
Current prepaid expense	\$ 9,941	4,262
Current temporary payments	1,225	19,406
Others	<u>150</u>	<u>1,813</u>
Subtotal	<u>11,316</u>	<u>18,773</u>
Guarantee deposits paid	<u>696</u>	<u>1,045</u>
Subtotal	<u>696</u>	<u>728</u>
Total	<u>\$ 12,012</u>	<u>19,501</u>

(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 advanced to member from others on 8591 Virtual Treasure Trade.

(Continued)

Addcn Technology Co., Ltd.
Notes to the Financial Statements

(iii) Others

Others consist of payment on behalf of others from convenience stores and telecom operators and input tax .

(o) Other payables and receipts under custody

Other payables and receipts under custody were as follows:

	December 31, 2018	December 31, 2017
Business tax payable	\$ 9,653	9,124
Current tax liabilities	75,204	68,794
Employee compensation payable	54,885	53,902
Compensation due to directors and supervisors	7,323	7,440
Payment for annual leave	2,523	2,523
Wages and salaries payable	16,251	22,731
Accrued expenses payable	<u>19,002</u>	<u>12,922</u>
Subtotal	184,841	177,436
Receipts under custody	<u>417,101</u>	<u>399,399</u>
Total	<u>\$ 601,942</u>	<u>576,835</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 account of E. Sun Bank and other bank accounts.

(p) Operating lease

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 6,859	6,721
Between one and five years	<u>4,602</u>	<u>1,318</u>
	<u>\$ 11,461</u>	<u>8,039</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.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(ii) Leases as lessor

The Company leases out its investment properties (see Note 6(k)). The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 1,634	725
Between one and five years	800	-
	<u>\$ 2,434</u>	<u>725</u>

Rental income from investment property was \$1,595 and \$1,813 for 2018 and 2017, respectively.

(q) 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 \$3,740 and \$3,283 for the years ended December 31, 2018 and 2017, respectively.

(r) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable in 2018.

(i) Income tax expense

The components of income tax in the years 2018 and 2017 were as follows:

	2018	2017
Current tax expense		
Current period	\$ 138,590	127,362
Adjustment for prior periods	(168)	151
	<u>138,422</u>	<u>127,513</u>
Deferred tax expense		
Origination and reversal of temporary differences	3,703	2,070
Adjustment in tax rate	(4,078)	-
	<u>(375)</u>	<u>2,070</u>
Tax expense	<u>\$ 138,047</u>	<u>129,583</u>
Income tax expense from continuing operations	\$ 138,047	101,085
Income tax from discontinued operation (excluding gain on sale)	-	(1,558)
Income tax on gain on sale of discontinued operation	-	30,056
	<u>\$ 138,047</u>	<u>129,583</u>

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

Reconciliation of income tax and profit before tax were as follows:

	2018	2017
Profit excluding income tax	\$ <u>733,587</u>	<u>763,962</u>
Income tax using the company's domestic tax rate	146,718	129,874
Permanent differences	(4,425)	(898)
10% surtax on undistributed retained earnings	-	456
Adjustment in tax rate	(4,078)	-
Others	<u>(168)</u>	<u>151</u>
	<u>\$ 138,047</u>	<u>129,583</u>

(ii) Recognized deferred tax assets and liabilities

Change in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Unrealized loss on valuation of inventories	Loss on investment	Others	Total
Deferred tax assets:				
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>
Balance at January 1, 2017	\$ 1,547	24,108	56	25,711
Recognized in profit or loss	<u>-</u>	<u>(3,586)</u>	<u>1,169</u>	<u>(2,417)</u>
Balance at December 31, 2017	<u>\$ 1,547</u>	<u>20,522</u>	<u>1,225</u>	<u>23,294</u>
Deferred tax liabilities:			Others	Total
Balance at January 1, 2018		\$ (187)		(187)
Recognized in profit or loss		<u>174</u>		<u>174</u>
Balance at December 31, 2018		<u>\$ (13)</u>		<u>(13)</u>
Balance at January 1, 2017		\$ (534)		(534)
Recognized in profit or loss		<u>347</u>		<u>347</u>
Balance at December 31, 2017		<u>\$ (187)</u>		<u>(187)</u>

(iii) Assessment of tax

The Company's tax returns for the years through 2016 were assessed by the tax authority.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(s) Capital and other equity

As of December 31, 2018 and 2017, the total value of authorized ordinary shares both amounted to \$500,000 with par value of \$10 per share, and the contributed capital amounted to \$425,790 and \$425,805, respectively.

Reconciliation of shares outstanding for 2018 and 2017 was as follows:

	(in thousand shares)	
	Ordinary share	
	2018	2017
Balance on January 1	42,581	42,583
Retirement of restricted stock awards	(2)	(2)
Balance on December 31	<u><u>\$ 42,579</u></u>	<u><u>42,581</u></u>

(i) Ordinary share

As of 2018 and 2017, the Company had cancelled both 2 thousand shares since the employees did not achieve the vesting conditions of restricted stock awards.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Share premium	\$ 410,247	533,829
Restricted stock awards	8,658	32,756
Employee share options	2,269	-
Changes in equity of associated and joint ventures accounted for using equity method	641	-
	<u><u>\$ 421,815</u></u>	<u><u>566,585</u></u>

At the general meeting of shareholders held on June 14, 2018, and June 1, 2017, the Company approved a resolution to distribute \$149,032 and \$191,623 from capital surplus of share premium as cash dividend of \$3.5 and \$4.5 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.

(Continued)

Addcn Technology Co., Ltd.
Notes to the Financial Statements

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal capital reserve has equaled the total capital of the Company; then set aside a special capital reserve in accordance with relevant laws, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

1) Legal reserve

According to the amendment of the R.O.C. Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. 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

At the general meeting of shareholders held on June 14, 2018 and June 1, 2017, the Company approved a resolution to reclassified undistributed earnings to special earnings reserve with amounts of \$63,253 and \$45,422, respectively. As of December 31, 2018 and 2017, the balance of special earnings reserve were \$121,582 and \$58,329.

3) Earnings Distribution

Earnings distribution for 2017 and 2016 was decided by the resolution adopted, at the general meeting of shareholders held on June 14, 2018 and June 1, 2017, respectively. The relevant dividend distributions to shareholders were as follow:

	2017		2016	
	Amount per Share	Total amount	Amount per Share	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 12.00	<u>510,966</u>	10.50	<u>447,122</u>

On March 14, 2019, the Company's Board of Directors resolved to appropriate the 2018 earnings. The cash dividend distributed to shareholders is \$10.6 dollar per share from earnings, and \$1.9 dollar per share from capital surplus of share premium.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(iv) OCI accumulated in reserve, 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	Amount
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 stock awards	-	-	-	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>
Balance at January 1, 2017	\$ (58,567)	-	240	(51,642)	(109,969)
Exchange differences of net asset in foreign operations	(10,870)	-	-	-	(10,870)
Unrealized gains (losses) on available-for-sale financial assets	-	-	(52,383)	-	(52,383)
Share-based payment	-	-	-	35,657	35,657
Retirement of restricted stock awards	-	-	-	498	498
Balance at December 31, 2017	<u>\$ (69,437)</u>	<u>-</u>	<u>(52,143)</u>	<u>(15,487)</u>	<u>(137,067)</u>

(t) 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% of the restricted stock 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.

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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, 2018 and 2017, the balances of unearned compensation were \$2,278 and \$15,487 and the expenses sprang from the restricted stock awards were \$14,546 and \$35,657, 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. The expense from the share which the Company's employee subscribed was \$2,269.

(u) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2018 and 2017, were based on the profit attributable to ordinary shareholders of the Company of \$595,540 and \$634,379 and the weighted average number of ordinary shares outstanding of 42,417 thousand and 42,290 thousand, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company

	2018	2017
Continuing operations	\$ 595,540	499,389
Discontinued operations	-	134,990
Profit attributable to ordinary shareholders of the Company	<u><u>\$ 595,540</u></u>	<u><u>634,379</u></u>

2) Weighted average number of ordinary shares (thousand shares)

	2018	2017
Issued ordinary shares at 1 January	42,390	42,263
Vesting of restricted stock	27	27
Weighted average number of ordinary shares outstanding at December 31	<u><u>42,417</u></u>	<u><u>42,290</u></u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2018 and 2017, were based on the profit attributable to ordinary shareholders of the Company of \$595,540 and \$634,379 and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 42,741 thousand and 42,662 thousand, calculated as follows:

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Notes to the Financial Statements

1) Profit attributable to ordinary shareholders of the Company (diluted)

	<u>2018</u>	<u>2017</u>
Continuing operations	\$ 595,540	499,389
Discontinued operations	<u>-</u>	<u>134,990</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 595,540</u>	<u>634,379</u>

2) Weighted average number of ordinary shares outstanding (diluted)(thousand shares)

	<u>2018</u>	<u>2017</u>
Weighted average number of ordinary shares outstanding (basic)	42,417	42,290
Effect of restricted employee share unvested	50	95
Estimated effect of employee stock bonuses	<u>274</u>	<u>277</u>
Weighted average number of ordinary shares outstanding at December 31 (diluted)	<u>42,741</u>	<u>42,662</u>

3) Earnings per share

	<u>2018</u>	<u>2017</u>
Basic earnings per share		
Continuing operations	\$ 14.04	11.81
Discontinued operations	<u>-</u>	<u>3.19</u>
	<u>\$ 14.04</u>	<u>15.00</u>
Diluted earnings per share		
Continuing operations	\$ 13.93	11.71
Discontinued operations	<u>-</u>	<u>3.16</u>
	<u>\$ 13.93</u>	<u>14.87</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2018</u>
Primary geographical markets:	
Taiwan	<u>\$ 1,417,973</u>
Major products/services lines:	
Internet service revenue	\$ 1,008,218
Commission	345,150
Product sales	<u>64,605</u>
	<u>\$ 1,417,973</u>

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Notes to the Financial Statements

For details for revenue for 2017, please refer to note 6(w).

For the year ended December 31, 2018, revenue from e-commerce was \$1,314,348, which was 93% of total revenue.

(ii) Contract balances

	December 31, 2018	January 1, 2018
Accounts receivable	\$ 127,657	136,624
Less: allowance for impairment	<u>(11,804)</u>	<u>(626)</u>
	<u>\$ 115,853</u>	<u>135,998</u>
	December 31, 2018	January 1, 2018
Contract liability-internet service	\$ 184,469	177,145
Contract liability-online advertising solicitation	<u>1</u>	<u>389</u>
	<u>\$ 184,470</u>	<u>177,534</u>

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

(w) Revenue

The details of revenue for the year ended December 31, 2017 was as follows:

	2017		
	Continuing operation	Discontinued operation	Total
Online product sales	\$ 38,228	105,072	143,300
Internet service revenue	883,403	-	883,403
Commission	337,011	-	337,011
Others	<u>67,259</u>	<u>-</u>	<u>67,259</u>
	<u>\$ 1,325,901</u>	<u>105,072</u>	<u>1,430,973</u>

For details on revenue for 2018, please refer to note 6(v).

For the year ended December 31, 2017, revenue from e-commerce was \$1,258,642, which was 95% of total revenue.

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

In accordance with the articles of incorporation, the Company should contribute no less than 1% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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For the years ended December 31, 2018 and 2017, the Company estimated its employee remuneration and directors' and supervisors' remuneration amounting as following:

	<u>2018</u>	<u>2017</u>
Employee compensation	54,860	53,902
Directors' and supervisors' remuneration	<u>7,323</u>	<u>7,440</u>
	<u>62,183</u>	<u>61,342</u>

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 2018 and 2017.

The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2018 and 2017. Related information would be available at the Market Observation Post System website.

(y) Non-operating income and expenses

Other income

The details of other income were as follows:

	<u>2018</u>	<u>2017</u>
Processing fee income	\$ 9,524	9,949
Others	<u>14,708</u>	<u>5,881</u>
	<u>\$ 24,232</u>	<u>15,830</u>

(z) Reclassification adjustments of components of other comprehensive income

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

	<u>2018</u>	<u>2017</u>
Available-for-sale financial assets:		
Net change in fair value	\$ -	(52,383)
Net change in fair value reclassified to profit or loss	-	-
Debt instruments at fair value through other comprehensive income		
Net change in fair value	(2,679)	-
Net change in fair value reclassified to profit or loss	<u>(240)</u>	<u>-</u>
Net change in fair value recognized in other comprehensive income	<u>\$ (2,919)</u>	<u>(52,383)</u>

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Adden Technology Co., Ltd.
Notes to the Financial Statements

(aa) Financial instrument

(i) Categories of financial instruments

1) Financial assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial assets at fair value through other comprehensive income	\$ <u>173,872</u>	<u>-</u>
Available-for-sale financial assets (including financial assets measured at cost \$34,500)	<u>-</u>	<u>253,494</u>
Amortized cost financial assets (loans and receivables):		
Cash and cash equivalents	481,736	370,855
Note and trade receivable	115,853	135,998
Account receivable due from related parties	20,781	11,130
Other financial asset	<u>534,408</u>	<u>761,983</u>
Total	<u>\$ <u>1,326,650</u></u>	<u><u>1,533,460</u></u>

2) Financial liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial liabilities measured at amortized cost:		
Notes and trade payable	3,711	5,850
Accounts payable to related parties	68,786	68,690
Other payable	184,841	177,436
Other payable to related parties	6,962	-
Receipts under custody	<u>417,101</u>	<u>399,399</u>
Total	<u>\$ <u>681,401</u></u>	<u><u>651,375</u></u>

(ii) Credit risk

1) Credit risk exposure

As of December 31, 2018 and 2017, the Company's maximum amount exposed to credit risk were \$1,326,650 and \$1,533,460, respectively.

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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Adden 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, 2018		
Non-derivative financial liabilities		
Notes and trade payable	\$ 3,711	3,711
Accounts payable to related parties	68,786	68,786
Other payable	184,841	184,841
Other payable to related parties	6,962	6,962
Receipts under custody	<u>417,101</u>	<u>417,101</u>
	<u><u>\$ 681,401</u></u>	<u><u>681,401</u></u>
December 31, 2017		
Non-derivative financial liabilities		
Notes and trade payable	\$ 5,850	5,850
Accounts payable to related parties	68,690	68,690
Other payable	177,436	177,436
Receipts under custody	<u>399,399</u>	<u>399,399</u>
	<u><u>\$ 651,375</u></u>	<u><u>651,375</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

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

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Addcn Technology Co., Ltd.
Notes to the Financial Statements

(vi) Information of fair value

1) Fair value hierarchy

The fair value of financial assets at fair value through other comprehensive income (available for sale financial assets) 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 for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

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
Stock in domestic unlisted company	45,323	-	-	45,323	45,323
Funds	14,158	14,158	-	-	14,158
Bonds	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>
December 31, 2017					
	Book Value	Fair value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets					
Stocks in domestic listed company	\$ 135,731	-	135,731	-	135,731
Funds	16,477	16,477	-	-	16,477
Bonds	66,786	66,786	-	-	66,786
Financial assets measured at cost	34,500	-	-	-	-
Total	<u>\$ 253,494</u>	<u>83,263</u>	<u>135,731</u>	<u>-</u>	<u>218,994</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.

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In addition, fair value of private placement listed equity instrument is measured by the market value of investee, and the value of put option is measured as no-active-market liquidity discount to adjust the effect that the equity security lacks of market liquidity. The main assumption is that when investors hold restricted equity securities, they can buy put option which the strike price is equivalent of market value of restricted equity securities, to ensure that investors can still sell their restricted equity securities at current market price after the termination of restricted trading period. Therefore, the value of put option, which is measured by Black-Scholes model, stands for the cost that investors are 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.

3) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income (Available-for-sale financial assets)
	<u>Unquoted equity instruments</u>
Opening balance, January 1, 2018	\$ 36,948
Total gains and losses recognized	
In profit or loss	-
In other comprehensive income	8,375
Ending Balance, December 31, 2018	<u>\$ 45,323</u>
Opening balance, January 1, 2017	-
Total gains and losses recognized	
In profit or loss	-
In other comprehensive income	-
Ending Balance, December 31, 2017	<u>-</u>

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For the years ended December 31, 2018 and 2017, total gains and losses that were included in “other gains and losses”, “unrealized gains and losses from available-for-sale financial assets” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	<u>2018</u>	<u>2017</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”	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.

Quantified information of significant unobservable inputs was as follows :

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income (Available for sale financial assets) equity investments without an active market	Comparable company analysis	· P/B ratio (2.23~14.02 on December 31, 2018) · P/E ratio (15.36~19.82 on December 31, 2018) · Lack-of-Marketability Discount (9.54%~48.04% on December 31, 2018)	The estimated fair value would increase (decrease) if: · the P/B ratio were higher (lower); · the P/E ratio were higher (lower); or · Lack-of-marketability discount were lower (higher).

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Adden Technology Co., Ltd.
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<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income (Available for sale financial assets) stock investigation	Net asset valuation method	Net asset valuation	Not applicable

(ab) 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) Framework 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.

The Company Supervisor oversees 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 Company Supervisor is 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 Supervisor.

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(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 exposure to credit risk is affected by each individual client. The management considers the basic statistics data of client, including the default risk of client's industry and country which probably 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.

The Company establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivable, other receivable, and investment. The components of this impairment allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Collective loss component established for groups is based on similar historical payment data of financial assets.

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.

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Notes to the Financial Statements

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, 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.

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.

(ac) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests. The Board of Directors monitors return on capital and also controls the level of dividend. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	\$ 900,914	859,992
Less: cash and cash equivalents	<u>481,736</u>	<u>370,855</u>
Net debt	<u>\$ 419,178</u>	<u>489,137</u>
Total equity	<u>\$ 1,702,374</u>	<u>1,833,813</u>
Debt-to-equity ratio at December 31	<u>24.62 %</u>	<u>26.67 %</u>

As of December 31, 2018, the Company's capital management strategy was not changed. The debt-to-equity ratio was decreased on December 31, 2018, due to cash inflow generated from operating which increases the balance of cash and cash equivalents and reduces net debt.

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Group
Adden Technology (Samoa) Co., Ltd.	The Company's subsidiary
Adden Technology (SHENZHEN) Co., Ltd.	The Company's subsidiary
Adden Technology (HK) Co., Ltd.	The Company's subsidiary
Digit Marketing Co., Ltd.	The Company's associate

(Continued)

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Notes to the Financial Statements

(b) Significant transactions with related parties

- (i) The amounts of services provided by the Company to related parties and account receivable due to related parties were as follows:

	Sales amount		Account receivable	
	2018	2017	December 31, 2018	December 31, 2017
Associate	\$ <u>4,949</u>	<u>-</u>	<u>20,781</u>	<u>-</u>

The Company signed exclusive advertising selling and collaboration agreement with Digit Marketing on October 15, 2018. The Company agreed that Digit Marketing could sell the advertising banner on the Company's platform. The agreement is valid from signing day to December 31, 2021, but both parties can extend or shorten the agreement period by their needs. Term for receivable collection is 180 days. Related parties do not receive collateral for receivables, and there is no need to recognize impairment loss after assessment.

- (ii) The amounts of purchase of services by Company to related parties and account payable to related parties were as follows:

	Purchase amount		Account payable	
	2018	2017	December 31, 2018	December 31, 2017
Addcn Technology (SHENZHEN) Co., Ltd.	\$ <u>229,012</u>	<u>300,186</u>	<u>68,786</u>	<u>68,690</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.

- (iii) Other transaction with related parties

The details of other transaction with related parties were as follows:

Account	Relationship	December 31, 2018	December 31, 2017
Commission fee - Digit Marketing	Associate (Note)	\$ 59,818	25,879
Rent income	Associate (Note)	583	429
Other income	Subsidiary	1,200	1,200
Other payable	Associate (Note)	10,076	1,775
Manufacturing rent expense	Associate (Note)	53	-
Other payable	Associate	6,962	-

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Account	Relationship	December 31, 2018	December 31, 2017
Other receivable	Subsidiary	100	140
Account receivable	Subsidiary	-	11,130

Note: The Company lost control over Digit Marketing Co., Ltd. on October 22, 2018, so the relationship changed from subsidiary to associate.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2018	2017
Salaries and wages	18,586	17,616
Execution expense	400	340
Employee bonus	31,133	30,800
Share-based payments	18,118	15,920
	<u>68,237</u>	<u>64,676</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:

Pledged assets	Object	December 31, 2018	December 31, 2017
Time deposits(interest rate 1.02%~1.065% annually)	License of employment service agency	\$ <u>3,000</u>	<u>3,000</u>

(9) Significant Commitments and Contingencies:

- (a) The Company had been investigated by prosecution authority on December 28, 2013, and New Taipei District Prosecutor Office had already indicted Liao Shih-Fang, Wu Tsung-Hsien and Wang Cheng-Yu, who were the Company's chairman, president and ex-director respectively. Origin of the case, facts of indictment, Company's strategy and influence on Company's operation are stated as below:

(i) Origin of the Case and Facts of Indictment

8591 Virtual Treasure Trade, which is operating under the Company, had been investigated by prosecution authority on December 28, 2013, due to people's report of the violation of Act Governing Issuance of Electronic Stored Value Cards, and the Company's chairman, president and ex-director had been indicted for violating latter part of paragraph 1 of Article 30 of Act Governing Issuance of Electronic Stored Value Cards. The Company issued electronic stored value cards totaling 18.6 billion NT dollars without authority's permit from January 26, 2009 to February 28, 2013.

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Adden Technology Co., Ltd.
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(ii) Company's Strategy

The Company had engaged attorney to verify the elements of crime of relative articles of the law and found that the business model of the Company did not violate the law. 8591 Virtual Treasure Trade, which referred to operating model of similar foreign platform to design relative payment transaction, is mainly to maintain internet trading safety and to prevent from internet fraud. No consumer suffered from property loss from opening day to date. Therefore, the Company's engaged attorney believed that it is highly probable that the lawsuit would be found of no guilty.

The Company agreed to and signed "Collection and Payment Transfer of Internet Trading — Deposit and Payment Account Service Agreement" on January 9, 2014, based on the stored value and payment mechanism of 8591 Virtual Treasure Trade. Members' stored payment was kept by E.Sun Bank. Meanwhile, to promote the business and development of trading platform, the Company agreed to and signed 'Collection and Payment Transfer of Trust Money Agreement' regarding business of collection and payment transfer, which was according to authorization requirements of paragraph 2 of Article 3 of the Act Governing Electronic Payment Institutions, and complied with enforcement decree of the authorization. Payment of member transaction was kept by the bank trust, and the Company would keep focusing on maintenance of websites and serving safe and convenient virtual treasure trade platform.

(iii) Influence on Company's Operation

New Taipei District Court made the first instance judgment on February 22, 2017 that the Company's chairman, president and ex-director were all not guilty. The prosecutor filed an appeal due to the disagreement of the original verdict. Taiwan High Court made the second instance judgment and dismissed the prosecutor's appeal on January 19, 2018. The prosecutor had not filed an appeal and the three defendants were found innocent; therefore, the lawsuit did not pose any adverse effect on the Company.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

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

By item	By function	2018			2017		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		35,218	118,072	153,290	27,367	131,099	158,466
Labor and health insurance		2,964	6,308	9,272	2,036	5,742	7,778
Pension		1,496	2,244	3,740	1,035	2,248	3,283
Remuneration of directors		-	5,511	5,511	-	5,665	5,665
Others		132	3,540	3,672	85	3,416	3,501
Depreciation		3,220	11,068	14,288	2,297	10,917	13,214
Amortization		-	9,171	9,171	-	8,978	8,978

In 2018 and 2017, the Company had 142 and 115 employees, of which 5 directors were not in concurrent employment in both years.

(Continued)

Adden Technology Co., Ltd.
Notes to the Financial Statements

(b) Discontinued operation

To focus on business of online platform, the Company's Board of Directors approved to sell 101 Original Design T-shirt department (clothes sale department) to Guangxu Network Technology Co., Ltd. on March 14, 2017, and finished sales of business by agreement on June 14, 2017.

Profit and loss, and cash flows from discontinued operation are summarized as follows:

	<u>2017</u>
Results from operating activities:	
Sales revenue	105,072
Operating costs	<u>(77,553)</u>
Gross profit	27,519
Operating expenses	<u>(36,456)</u>
Operating loss	(8,937)
Non-operating income and expenses	<u>-</u>
Profit from discontinued operation before tax	(8,937)
Tax income	<u>1,558</u>
Profit from discontinued operation	(7,379)
Gain on sale of discontinued operation	172,425
Income tax on gain on sale of discontinued operation	<u>(30,056)</u>
Total profit from discontinued operation	<u><u>134,990</u></u>
Cash flows from discontinued operation:	
Net cash from operating activities	\$ 11,375
Net cash from investing activities	<u>-</u>
Net cash inflow	<u><u>\$ 11,375</u></u>

Effects of disposal on the financial position of the Company:

	<u>December 31,</u> <u>2017</u>
Cash and cash equivalents	\$ 15,000
Other current assets	56
Property, plant and equipment	124
Other current liabilities	<u>(8,255)</u>
Net assets and liabilities	<u><u>\$ 6,925</u></u>
Consideration received, satisfied in cash	\$ 179,350
Cash and cash equivalents disposed of	<u>(15,000)</u>
Net cash inflow	<u><u>\$ 164,350</u></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 Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
The Company	Stock Jacker cleaning Inc.	None	Equity investments at FVOCI	343	13,123	11.42 %	13,123	
The Company	Stock Bridge Roots Capital	None	Equity investments at FVOCI	2,000	23,663	3.64 %	23,663	
The Company	Stock Cherri Tech Inc.	None	Equity investments at FVOCI	100	8,538	5.85 %	8,538	
The Company	Stock Newretail Co., Ltd.	None	Equity investments at FVOCI	9,572	58,197	8.11 %	58,197	
The Company	Fund UPAMC China High Yield Bond	None	Debt investments at FVOCI	-	1,740	- %	1,740	
The Company	Fund UPAMC Dyna-Strategy Global Multi-Asset Fund B	None	Debt investments at FVOCI	-	3,695	- %	3,695	
The Company	Fund TWD Amundi Funds II-Emerging Markets Bond U USD D ExD	None	Debt investments at FVOCI	-	8,723	- %	8,723	
The Company	Bond Formosa Group Corporate Bond	None	Debt investments at FVOCI	-	18,334	- %	18,334	
The Company	Bond Citigroup Global Market Inc. Corporate Bond	None	Debt investments at FVOCI	-	37,859	- %	37,859	
Adden Technology (Samoa)	Stock Bridge Root Fund, L.P.	None	Equity investments at FVOCI	-	92,130	1.72 %	92,130	

- (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, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Samoa	Samoa	Foreign holding company	950,236 (USD29,760 thousand)	883,164 (USD27,510 thousand)	29,760	100.00 %	745,653	12,846	12,846	Subsidiary (Note 1)
The Company	Digit Marking	Taiwan	Advertising	7,441	5,500	799	33.29 %	25,825	27,642	15,005	Associate (Note 2)
Adden Technology (Samoa)	Adden Technology (HK)	Hong Kong	Electronic information supply	204,005 (USD6,500 thousand)	204,005 (USD6,500 thousand)	6,500	70.00 %	43,720	(186)	1,951	Subsidiary (Note 1)

(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, 2018 (Note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018 (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)	System application management, maintenance and customer service	654,661 (USD20,200 thousand)	(1)	654,661 (USD20,200 thousand)	-	-	654,661 (USD20,200 thousand)	10,913	100.00%	10,913	608,351	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
654,661 (USD20,200 thousand)	654,661 (USD20,200 thousand)	1,021,424

Note 1: Re-investment company in mainland China established through investments of a third district.

Note 2: Recognized according to the Accountant audit financial report of the company invested into.

Note 3: The amounts of accumulated outflow of investment from Taiwan were translated into New Taiwan dollars on the original outflow day.

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:

Please refer to Note 13(a) "Information on significant transactions" and "Business relationships and significant intercompany transactions" in the consolidated financial statements as of and for the year ended December 31, 2018 for the significant inter-company transactions with the subsidiaries in Mainland China.

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2018.

Addcn Technology Co., Ltd.

Statement of cash and cash equivalents

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	December	Amount
Petty cash		\$ 50
Cash in bank		
Check deposits and demand	Cathay United Bank	472,967
	Others (individual accounts with less than 5% of the total amount)	8,719
	Subtotal	481,686
		<u>\$ 481,736</u>

Statement of Notes and Accounts Receivable

Client name	Description	Amount
Company A	Sales	\$ 66,779
Company B	"	22,381
Company C	"	14,734
Others (individual accounts with less than 5% of the total amount)	"	23,763
Subtotal		127,657
Less: Allowance for doubtful		(11,804)
Total		<u>\$ 115,853</u>

Adden Technology Co., Ltd.

Statement of inventories

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realizable Value
Merchandise	\$ 13,116	<u>15,156</u>
Less: Allowance for inventory impairment	<u>(3,400)</u>	
Total	<u>\$ 9,716</u>	

Adden Technology Co., Ltd.

**Statement of Changes in Financial Assets Measured at Fair Value through
Other Comprehensive Income - Non-current**

For the year ended December 31, 2018

(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 \$	1,906	-	-	-	-	200	1,740	-	None	
Amundi Funds II-Emerging Markets Bond U USD D ExD	6,632	9,656	-	-	-	-	6,632	8,723	-	None	
UPAMC Dyna-Strategy Global Multi-Asset Fund B TWD	500	4,915	-	-	-	-	500	3,695	-	None	
Standard Chartered's Subordinated Corporate Bond	350	9,976	-	-	(350)	(10,917)	-	-	-	None	
Citigroup Global Market Inc. Corporate Bond	85	38,499	-	-	-	-	85	37,859	-	None	
Formosa Group Corporate Bond	6	18,311	-	-	-	-	6	18,334	-	None	
Subtotal		<u>83,263</u>		<u>-</u>		<u>(10,917)</u>		<u>70,351</u>	<u>-</u>		
Equity investments at Fair Value through Other Comprehensive Income											
Bridge Roots Capital	2,000	20,000	-	-	-	-	2,000	23,663	N/A	None	
Cherri Tech Inc.	100	5,000	-	-	-	-	100	8,538	N/A	None	
Jacker cleaning Inc.	266	11,948	77 (Note)	-	-	-	343	13,123	N/A	None	
Newretail Co., Ltd.	9,572	135,731	-	-	-	-	9,572	58,197	N/A	None	
Subtotal		<u>172,679</u>		<u>-</u>		<u>-</u>		<u>103,521</u>	<u>-</u>		
Total		<u>\$ 255,942</u>		<u>-</u>		<u>(10,917)</u>		<u>173,872</u>	<u>-</u>		

Note: Jacker Cleaning Inc. transferred capital surplus to capital in December, 2018.

Note 2: The amount included the amount of adjustment due to non-proportional investment in investee's increase in capital (\$374), fair value adjustment \$1,681 due to loss of control over subsidiary which was considered as sale and repurchase, and the share of change of capital surplus \$641.

Adden Technology Co., Ltd.
Statement of operating revenue
For the year ended December 31, 2018
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Internet service revenue	\$ 1,012,529
Less: Sales return and allowance	(4,311)
Platform commission revenue	349,431
Less: Sales return and allowance	(4,281)
Product sales revenue	71,438
Less: Sales return and allowance	(6,833)
Total	<u>\$ 1,417,973</u>

Statement of operating costs

<u>Item</u>	<u>Amount</u>
Merchandise inventory, beginning of year	\$ 23,595
Add: Purchases(net)	36,044
Less: Merchandise inventory, end of year	(13,116)
Transferred to expenses	<u>(35)</u>
Subtotal	46,488
Merchandising cost of goods sold	46,488
Cost of internet platform service	306,769
Gain from price recovery of inventory	<u>(5,700)</u>
Total	<u>\$ 347,557</u>

Addcn Technology Co., Ltd.

Statement of administrative expenses

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrati ve expenses	Research and development expenses	Total
Salary and Wages	\$ 20,898	50,158	52,527	123,583
Advertisement expenses	111,719	891	-	112,610
handling charge	13,271	-	-	13,271
Expected credit loss	11,191	-	-	11,191
Commission expense	59,818	-	-	59,818
Professional service fee	-	7,472	-	7,472
Depreciation expense	-	10,114	954	11,068
Amortization expense	-	9,171	-	9,171
Others (less than 5%)	3,747	43,839	1,381	48,967
Total	\$ 220,644	121,645	54,862	397,151

Please refer to Note 6(n) for “Statement of Other Current Assets”.

Please refer to Note 6(m) for “Statement of Other Current Financial Assets”.

Please refer to Note 6(j) for “Statement of Changes in Property, Plant and Equipment”.

Please refer to Note 6(j) for “Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment”.

Please refer to Note 6(k) for “Statement of Change in Investment Property”.

Please refer to Note 6(k) for “Statement of Changes in Accumulated Depreciation of Investment Property”.

Please refer to Note 6(o) for “Statement of Other Payables”.