

Addcn Technology Co., Ltd.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Addcn Technology Co., Ltd. ("the Company"), which comprise the balance sheet as of December 31, 2020 and 2019, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

Please refer to note 4(n) for the accounting policy of revenue and note 6(s) for composition of revenue.

Description of key audit matter:

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

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

How the matter was addressed with our audit:

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2021

Notes to Readers

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

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

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

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019				December 31, 2020		December 31, 2019	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 514,741	18	458,769	17	2151	Notes payable and trade payable	\$ 3,440	-	14	-
1170	Notes and trade receivable, net (note 6(d)(s))	71,302	3	82,708	3	2180	Trade payable to related parties (note 7)	52,018	2	76,535	3
1181	Trade receivable due from related parties (note 7)	55,591	2	64,821	2	2200	Other payables (note 6(l) and 7)	214,405	8	183,441	7
1476	Other current financial assets (note 6(j), 7 and 8)	571,222	20	546,760	21	2131	Contract liabilities (note 6(s))	227,739	8	196,687	7
1479	Other current assets, others (note 6(k))	11,809	-	5,654	-	2335	Receipts under custody (note 6(l))	429,414	15	414,788	16
		1,224,665	43	1,158,712	43	2399	Other current liabilities, others	3,801	-	3,347	-
								930,817	33	874,812	33
Non-current assets:						Non-Current liabilities:					
1510	Non-current financial assets at fair value through profit or loss(note 6(b))	22,809	1	-	-						
1518	Equity investment at fair value through other comprehensive income (note 6(c))	126,332	5	123,612	5	2645	Guarantee deposits received	46,871	2	36,331	1
						2670	Other non-current liabilities, others (note 6(o))	5,701	-	7,564	-
1521	Debt investment at fair value through other comprehensive income (note 6(c))	14,965	1	32,056	1			52,572	2	43,895	1
								983,389	35	918,707	34
1550	Investments accounted for using equity method (note 6(e))	875,211	31	801,956	30	Total liabilities					
1600	Property, plant and equipment (note 6(f))	308,783	11	319,884	12	Equity attributable to owners of parent (note 6(p)(q)):					
1760	Investment property, net (note 6(h))	105,729	4	107,401	4	3110	Ordinary share	429,385	15	425,755	16
1780	Intangible assets (note 6(i))	92,082	3	100,736	4	3200	Capital surplus	378,336	14	341,866	13
1840	Deferred tax assets (note 6(o))	10,155	-	14,497	1	3300	Retained earnings	1,345,987	48	1,207,146	45
1995	Other non-current assets, others (note 6(k))	19,735	1	10,844	-	3400	Other equity interest	(336,631)	(12)	(223,776)	(8)
		1,575,801	57	1,510,986	57		Total equity	1,817,077	65	1,750,991	66
							Total liabilities and equity	\$ 2,800,466	100	2,669,698	100
Total assets		\$ 2,800,466	100	2,669,698	100						

(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, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4100	Operating revenues (note 6(s) and 7)	\$ 1,487,428	100	1,413,137	100
5000	Operating costs (note 6(f)(g)(n)(q)(t) and 7)	<u>388,019</u>	<u>26</u>	<u>365,453</u>	<u>26</u>
5900	Gross profit from operations	<u>1,099,409</u>	<u>74</u>	<u>1,047,684</u>	<u>74</u>
6000	Operating expenses (note 6(d)(f)(g)(h)(i)(n)(q)(t) and 7):				
6100	Selling expenses	173,356	12	159,705	12
6200	Administrative expenses	143,894	10	130,573	9
6300	Research and development expenses	51,785	3	45,655	3
6450	Impairment loss determined in accordance with IFRS 9	-	-	12,781	1
	Total operating expenses	<u>369,035</u>	<u>25</u>	<u>348,714</u>	<u>25</u>
6900	Net operating income	<u>730,374</u>	<u>49</u>	<u>698,970</u>	<u>49</u>
	Non-operating income and expenses (note 6(c)(u) and 7):				
7100	Interest income	2,644	-	3,665	1
7010	Other income	19,166	1	15,605	1
7020	Other gains and losses, net	(2,994)	-	1,616	-
7050	Finance costs, net	(147)	-	(260)	-
7375	Share of profit of associates accounted for using equity method (note 6(e))	<u>29,896</u>	<u>2</u>	<u>31,326</u>	<u>2</u>
7775	Total non-operating income and expenses	<u>48,565</u>	<u>3</u>	<u>51,952</u>	<u>4</u>
	Profit before income tax	<u>778,939</u>	<u>52</u>	<u>750,922</u>	<u>53</u>
7950	Less: Income tax expenses (note 6(o))	<u>151,540</u>	<u>10</u>	<u>149,763</u>	<u>10</u>
	Profit	<u>627,399</u>	<u>42</u>	<u>601,159</u>	<u>43</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(25,280)	(2)	(29,909)	(2)
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	(7)	-	29,166	2
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		<u>(25,287)</u>	<u>(2)</u>	<u>(743)</u>	<u>-</u>
8360	Items that will be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(1,534)	-	(22,795)	(2)
8367	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	1,748	-	39	-
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>214</u>	<u>-</u>	<u>(22,756)</u>	<u>(2)</u>
8300	Other comprehensive income	<u>(25,073)</u>	<u>(2)</u>	<u>(23,499)</u>	<u>(2)</u>
	Total comprehensive income	<u>\$ 602,326</u>	<u>40</u>	<u>577,660</u>	<u>41</u>
	Basic earnings per share (NT dollars) (note 6(r))	<u>\$ 14.74</u>		<u>14.14</u>	
	Diluted earnings per share (NT dollars) (note 6(r))	<u>\$ 14.63</u>		<u>14.04</u>	

(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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings				Other equity				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned compensation	Total other equity interest	Total equity
Balance on January 1, 2019	\$ 425,790	421,815	344,196	121,582	591,546	1,057,324	(80,934)	(119,343)	(2,278)	(202,555)	1,702,374
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	59,155	-	(59,155)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	78,696	(78,696)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(451,337)	(451,337)	-	-	-	-	(451,337)
	-	-	59,155	78,696	(589,188)	(451,337)	-	-	-	-	(451,337)
Profit for the year ended December 31, 2019	-	-	-	-	601,159	601,159	-	-	-	-	601,159
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	(22,795)	(704)	-	(23,499)	(23,499)
Comprehensive income for the year ended December 31, 2019	-	-	-	-	601,159	601,159	(22,795)	(704)	-	(23,499)	577,660
Other changes in capital surplus:											
Cash dividends from capital surplus	-	(80,900)	-	-	-	-	-	-	-	-	(80,900)
Share-based payments	-	916	-	-	-	-	-	-	2,278	2,278	3,194
Retirement of restricted employee stock	(35)	35	-	-	-	-	-	-	-	-	-
Balance on December 31, 2019	425,755	341,866	403,351	200,278	603,517	1,207,146	(103,729)	(120,047)	-	(223,776)	1,750,991
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	60,117	-	(60,117)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	23,498	(23,498)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(519,421)	(519,421)	-	-	-	-	(519,421)
	-	-	60,117	23,498	(603,036)	(519,421)	-	-	-	-	(519,421)
Profit for the year ended December 31, 2020	-	-	-	-	627,399	627,399	-	-	-	-	627,399
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	-	(1,534)	(23,539)	-	(25,073)	(25,073)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	627,399	627,399	(1,534)	(23,539)	-	(25,073)	602,326
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method	-	(641)	-	-	(726)	(726)	-	-	-	-	(1,367)
Cash dividends from capital surplus	-	(25,545)	-	-	-	-	-	-	-	-	(25,545)
Share-based payments	3,630	62,656	-	-	-	-	-	-	(56,193)	(56,193)	10,093
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	31,589	31,589	-	(31,589)	-	(31,589)	-
Balance on December 31, 2020	\$ 429,385	378,336	463,468	223,776	658,743	1,345,987	(105,263)	(175,175)	(56,193)	(336,631)	1,817,077

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:		
Profit before tax	\$ 778,939	750,922
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	24,594	21,523
Amortization expense	9,334	9,317
Expected credit loss	-	12,781
Net loss on financial assets or liabilities at fair value through profit or loss	648	-
Interest expense	147	260
Interest income	(2,644)	(3,665)
Dividend income	(3,010)	(1,478)
Share-based payments transactions	10,093	3,194
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(29,896)	(31,326)
Loss on disposal of property, plant and equipment	12	-
Gain on disposal of investments	(608)	(545)
Unrealized foreign exchange loss	1,525	1,199
Total adjustments to reconcile profit	10,195	11,260
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	11,406	20,364
Trade receivable due from related parties	9,230	(44,040)
Inventories	-	9,716
Prepayments	(1,729)	6,694
Other current assets	(3,831)	(935)
Other financial assets	340	(424)
Total changes in operating assets	15,416	(8,625)
Changes in operating liabilities:		
Notes and accounts payable	3,426	(3,697)
Accounts payable to related parties	(24,517)	7,749
Other payable	28,430	2,094
Other payable to related parties	(335)	(6,561)
Contract liabilities	31,052	12,217
Other current liabilities	(109)	(2,696)
Receipts under custody	14,626	(2,313)
Total changes in operating liabilities	52,573	6,793
Total changes in operating assets and liabilities	67,989	(1,832)
Total adjustments	78,184	9,428

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash inflow generated from operations	857,123	760,350
Interest received	2,655	3,667
Interest paid	(147)	(260)
Income taxes paid	(144,360)	(144,592)
Net cash flows from operating activities	715,271	619,165
Cash flows (used in) from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(30,000)	(68,497)
Proceeds from disposal of financial assets at fair value through other comprehensive income	17,838	56,177
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,000	-
Acquisition of financial assets at fair value through profit or loss	(23,373)	-
Acquisition of investments accounted for using equity method	(60,380)	-
Acquisition of property, plant and equipment	(9,343)	(91,637)
(Increase) decrease in refundable deposits	(10)	68
Acquisition of intangible assets	(680)	(198)
Acquisition of investment properties	-	(4,359)
Increase in other financial assets	(24,813)	(11,930)
Increase in other non-current assets	(10,150)	-
Dividends received	17,123	8,697
Net cash flows used in investing activities	(121,788)	(111,679)
Cash flows used in financing activities:		
Increase in guarantee deposits received	10,540	4,550
Payment of lease liabilities	(3,085)	(2,766)
Cash dividends paid	(544,966)	(532,237)
Net cash flows used in financing activities	(537,511)	(530,453)
Net increase (decrease) in cash and cash equivalents	55,972	(22,967)
Cash and cash equivalents at beginning of period	458,769	481,736
Cash and cash equivalents at end of period	\$ 514,741	458,769

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, 2020 and 2019

(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. The Company’s common shares were listed on the Taipei Exchange (TPEX) since January 20, 2014.

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issue by the Board of Directors on March 18, 2021.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

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

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: • the incremental costs – e.g. direct labor and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.	January 1, 2022

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

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis, except fair value through other comprehensive income are measured at fair value.

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) 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 (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

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

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

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

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(ii) Foreign operations

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

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

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

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

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

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

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

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

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(e) Cash and cash equivalents

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

(f) Financial Instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) 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:

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- 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.

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

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

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6) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

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(g) Investment in associates

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

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

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

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

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

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(h) 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.

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(i) Investment property

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

(Continued)

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

(iv) Reclassification to investment property

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

(k) Leases

(i) Identifying a lease

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

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

(ii) As a lessee

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

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

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

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

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

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

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

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

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

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

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

(iii) As a lessor

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

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

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

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(l) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Trademarks and patents	6~10 years
2) Computer software	2~5 years
3) Customer relationships and databases	10 years

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

(m) Impairment of non-financial assets

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

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

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

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

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

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

(n) Revenue

(i) Revenue from contracts with customers

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

1) Online advertising platform services

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

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) 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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(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

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.

(o) Employee benefits

(i) Defined contribution plans

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

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

(ii) Short-term employee benefits

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

(p) Share-based payment

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

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

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

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

(q) Income taxes

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

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

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

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

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

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

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

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

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

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

(r) 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.

(s) 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.

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Notes to the Financial Statements

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

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

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

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

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

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

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(w) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash	\$ 50	50
Demand deposits and check deposits	514,691	458,719
Cash and cash equivalents in the statement of cash flows	<u><u>\$ 514,741</u></u>	<u><u>458,769</u></u>

Please refer to note 6(w) for the 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 profit or loss

	December 31, 2020	December 31, 2019
Related to financial assets at fair value through profit or loss:		
Corporate bonds –Credit Suisse Group AG	\$ 6,296	-
Corporate bonds –Apple Inc.	16,513	-
Total	\$ 22,809	-

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

	December 31, 2020	December 31, 2019
Debt investments at fair value through other comprehensive income:		
Corporate bonds –Citigroup Global Markets Inc.	\$ -	17,294
Corporate bonds –Saudi Arabian Oil Company	-	-
Others	14,965	14,762
Subtotal	14,965	32,056
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic markets	14,417	24,983
Stocks unlisted on domestic markets	111,915	98,629
Subtotal	126,332	123,612
Total	\$ 141,297	155,668

(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 December 12, 2020, the Company has sold its investments as a result of the Company's investment strategy. The investment sold had a fair value of \$17,838 thousand wherein the Company realized a gain of \$608 thousand, which has been reclassified from other equity to profit or loss.

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

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Notes to the Financial Statements

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

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

During the years ended December 31, 2020 and 2019, the dividends of \$3,010 thousand and \$1,478 thousand, respectively, related to equity investments at fair value through other comprehensive income held on the years then ended, were recognized.

On June, 2020, the amounts received from the capital reduction by Element I Venture Capital Co., Ltd. was \$2,000 thousand.

(iii) For credit risk (including the impairment of debt investments) and market risk; please refer to note 6(x).

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

(d) Notes and trade receivables

	December 31, 2020	December 31, 2019
Notes receivables	\$ 1,045	4,045
Trade receivables	94,855	103,261
Less: Loss allowance	(24,598)	(24,598)
	<u>\$ 71,302</u>	<u>82,708</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. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 74,905	0%	3,603
1 to 60 days past due	-	10%~30%	-
More than 60 days past due	20,995	30%~100%	20,995
Total	<u>\$ 95,900</u>		<u>24,598</u>

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

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 87,118	0%	4,410
1 to 60 days past due	193	25%~50%	193
More than 60 days past due	19,995	50%~100%	19,995
Total	<u><u>\$ 107,306</u></u>		<u><u>24,598</u></u>

- (ii) The movement in the allowance for notes and trade receivables were as follows:

	For the years ended December 31	
	2020	2019
Balance at January 1	\$ 24,598	11,804
Impairment losses recognized	-	12,781
Amounts reversed due to recovery	-	13
Balance at December 31	<u><u>\$ 24,598</u></u>	<u><u>24,598</u></u>

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

- (e) Investments accounted for using equity method

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

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 825,497	765,968
Associates	49,714	35,988
	<u><u>\$ 875,211</u></u>	<u><u>801,956</u></u>

- (i) Subsidiaries

For the related information, please refer to the consolidated financial statements for the year ended December 31, 2020.

- (ii) Associates

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

	December 31, 2020	December 31, 2019
Carrying amount of individually insignificant associates' equity	<u><u>\$ 49,714</u></u>	<u><u>35,988</u></u>

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Notes to the Financial Statements

In 2020 and 2019, the Company's share of the net income of associate was as follows:

	<u>2020</u>	<u>2019</u>
Attributable to the Company:		
Profit from continuing operations	\$ 29,206	17,382
Other comprehensive income	-	-
Comprehensive income	<u>\$ 29,206</u>	<u>17,382</u>

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

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

As of December 31, 2020 and 2019, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019, were as follows:

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2020	\$ 172,284	142,641	77,201	15,780	12,500	420,406
Additions	-	3,623	5,720	-	-	9,343
Reclassification	-	11,905	-	-	(12,500)	(595)
Disposals	-	-	(412)	-	-	(412)
Balance at December 31, 2020	<u>\$ 172,284</u>	<u>158,169</u>	<u>82,509</u>	<u>15,780</u>	<u>-</u>	<u>428,742</u>
Balance at January 1, 2019	\$ 131,656	101,961	73,540	9,327	-	316,484
Additions	31,310	36,400	4,974	6,453	12,500	91,637
Reclassification	9,318	4,280	-	-	-	13,598
Disposals	-	-	(1,313)	-	-	(1,313)
Balance at December 31, 2019	<u>\$ 172,284</u>	<u>142,641</u>	<u>77,201</u>	<u>15,780</u>	<u>12,500</u>	<u>420,406</u>
Depreciation and impairments losses:						
Balance at January 1, 2020	\$ -	25,971	64,518	10,033	-	100,522
Depreciation	-	9,752	8,570	1,515	-	19,837
Disposals	-	-	(400)	-	-	(400)
Balance at December 31, 2020	<u>\$ -</u>	<u>35,723</u>	<u>72,688</u>	<u>11,548</u>	<u>-</u>	<u>119,959</u>
Balance at January 1, 2019	\$ -	19,379	56,883	9,327	-	85,589
Depreciation	-	7,042	8,948	706	-	16,696
Reclassification	-	(450)	-	-	-	(450)
Disposals	-	-	(1,313)	-	-	(1,313)
Balance at December 31, 2019	<u>\$ -</u>	<u>25,971</u>	<u>64,518</u>	<u>10,033</u>	<u>-</u>	<u>100,522</u>

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

	<u>Land</u>	<u>Buildings and constructions</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
Carrying amounts:						
Balance at December 31, 2020	\$ <u>172,284</u>	<u>122,446</u>	<u>9,821</u>	<u>4,232</u>	<u>-</u>	<u>308,783</u>
Balance at December 31, 2019	\$ <u>172,284</u>	<u>116,670</u>	<u>12,683</u>	<u>5,747</u>	<u>12,500</u>	<u>319,884</u>
Balance at January 1, 2019	\$ <u>131,656</u>	<u>82,582</u>	<u>16,657</u>	<u>-</u>	<u>-</u>	<u>230,895</u>

As of December 31, 2020 and 2019 the Company did not provide any property, plant and equipment as collateral for its loan.

(g) Right-of-use-asset

The Company leases many assets including land and buildings and vehicles. Information about leases for which the Company as a lessee was presented below:

	<u>Buildings and constructions</u>	<u>Shipping equipments</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2020	\$ 11,670	1,013	12,683
Additions	-	1,816	1,816
Disposals	-	(167)	(167)
Balance at December 31, 2020	\$ <u>11,670</u>	<u>2,662</u>	<u>14,332</u>
Balance at January 1, 2019	\$ 5,678	500	6,178
Additions	6,352	513	6,865
Disposals	(360)	-	(360)
Balance at December 31, 2019	\$ <u>11,670</u>	<u>1,013</u>	<u>12,683</u>
Depreciation and impairments losses:			
Balance at January 1, 2020	\$ 2,041	426	2,467
Depreciation	2,512	573	3,085
Disposals	-	(167)	(167)
Balance at December 31, 2020	\$ <u>4,553</u>	<u>832</u>	<u>5,385</u>
Balance at January 1, 2019	\$ -	-	-
Depreciation	2,401	426	2,827
Reclassification to property, plant and equipment	(360)	-	(360)
Balance at December 31, 2019	\$ <u>2,041</u>	<u>426</u>	<u>2,467</u>
Carrying amount:			
Balance at December 31, 2020	\$ <u>7,117</u>	<u>1,830</u>	<u>8,947</u>
Balance at December 31, 2019	\$ <u>9,629</u>	<u>587</u>	<u>10,216</u>
Balance at January 1, 2019	\$ <u>5,678</u>	<u>500</u>	<u>6,178</u>

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Notes to the Financial Statements

(h) Investment property

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

	Owned property		Total
	Land	Buildings and constructions	
Cost or deemed cost:			
Balance at January 1, 2020	\$ 71,336	42,527	113,863
Reclassification	-	-	-
Balance at December 31, 2020	<u>\$ 71,336</u>	<u>42,527</u>	<u>113,863</u>
Balance at January 1, 2019	\$ 82,693	40,506	123,199
Additions	-	4,359	4,359
Reclassification	(11,357)	(2,338)	(13,695)
Balance at December 31, 2019	<u>\$ 71,336</u>	<u>42,527</u>	<u>113,863</u>
Depreciation and impairments losses:			
Balance at January 1, 2020	\$ -	6,462	6,462
Depreciation	-	1,672	1,672
Reclassification	-	-	-
Balance at December 31, 2020	<u>\$ -</u>	<u>8,134</u>	<u>8,134</u>
Balance at January 1, 2019	\$ -	4,012	4,012
Depreciation	-	2,000	2,000
Reclassification	-	450	450
Balance at December 31, 2019	<u>\$ -</u>	<u>6,462</u>	<u>6,462</u>
Carrying amount:			
Balance at December 31, 2020	<u>\$ 71,336</u>	<u>34,393</u>	<u>105,729</u>
Balance at December 31, 2019	<u>\$ 71,336</u>	<u>36,065</u>	<u>107,401</u>
Balance at January 1, 2019	<u>\$ 82,693</u>	<u>36,494</u>	<u>119,187</u>
Fair value:			
Balance at December 31, 2020		\$	<u>108,274</u>
Balance at December 31, 2019		\$	<u>111,274</u>

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

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

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As of December 31, 2020 and 2019, the Company did not provide any investment property as collateral for long-term borrowings.

(i) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2020 and 2019, were as follows:

	Goodwill	Brand/Trade marks	Client relationship/ Database/518 computer system	Others	Total
Cost:					
Balance at January 1, 2020	\$ 58,000	27,656	59,208	6,014	150,878
Additions	-	-	-	680	680
Balance at December 31, 2020	<u>\$ 58,000</u>	<u>27,656</u>	<u>59,208</u>	<u>6,694</u>	<u>151,558</u>
Balance at January 1, 2019	\$ 58,000	27,818	59,208	5,777	150,803
Additions	-	-	-	237	237
Others	-	(162)	-	-	(162)
Balance at December 31, 2019	<u>\$ 58,000</u>	<u>27,656</u>	<u>59,208</u>	<u>6,014</u>	<u>150,878</u>
Accumulated amortization and impairment losses					
Balance at January 1, 2020	\$ -	14,927	31,084	4,131	50,142
Amortization	-	2,680	5,921	733	9,334
Balance at December 31, 2020	<u>\$ -</u>	<u>17,607</u>	<u>37,005</u>	<u>4,864</u>	<u>59,476</u>
Balance at January 1, 2019	\$ -	12,282	25,163	3,503	40,948
Amortization	-	2,807	5,921	628	9,356
Others	-	(162)	-	-	(162)
Balance at December 31, 2019	<u>\$ -</u>	<u>14,927</u>	<u>31,084</u>	<u>4,131</u>	<u>50,142</u>
Carrying value:					
Balance at December 31, 2020	<u>\$ 58,000</u>	<u>10,049</u>	<u>22,203</u>	<u>1,830</u>	<u>92,082</u>
Balance at December 31, 2019	<u>\$ 58,000</u>	<u>12,729</u>	<u>28,124</u>	<u>1,883</u>	<u>100,736</u>
Balance at January 1, 2019	<u>\$ 58,000</u>	<u>15,536</u>	<u>34,045</u>	<u>2,274</u>	<u>109,855</u>

(i) Amortization expense

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

	2020	2019
Operating expenses	<u>\$ 9,334</u>	<u>9,317</u>

(ii) Impairment test of goodwill

Goodwill arising from the acquisition of 518 Technology Co., Ltd. on January 1, 2015 was mainly attributable to the expected benefit derived from the operating revenue growth of 518 Human Resource. According to IAS 36, goodwill acquired in a business combination is tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated

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Addcn Technology Co., Ltd.
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to each of the acquirer's cash-generating units that are expected to benefit from the synergies of the combination. 518 Human Resource itself is a separate cash-generating unit that can generate independent cash inflows; therefore, goodwill is tested for impairment by comparing the recoverable amount of 518 Human Resource with its carrying amount to determine whether an impairment loss should be recognized.

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

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

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

	December 31, 2020	December 31, 2019
Discount rate	9.39 %	10.94 %

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

(iii) Guarantee

As of December 31, 2020 and 2019, the intangible asset of the Company had not been pledged as collateral for long-term borrowings.

(j) Other financial assets

Other financial assets of the Company were as follows:

	December 31, 2020	December 31, 2019
Other current financial assets	\$ 104,590	104,590
Other receivables	554	905
Current restricted assets	466,078	441,265
	\$ 571,222	546,760

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

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Notes to the Financial Statements

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

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

	December 31, 2020	December 31, 2019
Current prepaid expense	\$ 4,976	3,247
Current temporary payments	6,833	2,407
Subtotal	<u>11,809</u>	<u>5,654</u>
Non-current prepaid expense	10,150	-
Guarantee deposits paid	638	628
Right-of-use asset	8,947	10,216
Subtotal	<u>19,735</u>	<u>10,844</u>
Total	<u><u>\$ 31,544</u></u>	<u><u>16,498</u></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 website event bonus payment on 8591 Virtual Treasure Trade and others.

(iii) Non-current prepaid expense

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

(l) Other payables and Receipts under custody

Other payables and Receipts under custody were as follows:

	December 31, 2020	December 31, 2019
Current tax liabilities	\$ 74,178	71,309
Employee compensation payable	54,552	51,800
Compensation due to directors and supervisors	7,560	7,400
Wages and salaries payable	22,466	19,034
Expenses payable	53,060	30,973
Other	<u>2,589</u>	<u>2,924</u>
Subtotal	214,405	183,441
Receipts under custody	<u>429,414</u>	<u>414,788</u>
Total	<u><u>\$ 643,819</u></u>	<u><u>598,229</u></u>

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

(Continued)

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

(m) Operating lease

(i) Leases as lessor

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

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

	December 31, 2020	December 31, 2019
Less than one year	\$ 935	2,090
Between one and five years	-	380
	\$ 935	2,470

Rental income from investment property was \$3,137 thousand and \$2,901 thousand for 2020 and 2019, respectively.

(n) 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 \$5,121 thousand and \$4,186 thousand for the years ended December 31, 2020 and 2019, respectively.

(o) Income tax

(i) Income tax expense

The components of income tax in the years 2020 and 2019 were as follows:

	2020	2019
Current tax expense		
Current period	\$ 145,416	140,649
Adjustment for prior periods	1,813	48
	<u>147,229</u>	<u>140,697</u>
Deferred tax expense		
Origination and reversal of temporary differences	4,311	9,066
	<u>4,311</u>	<u>9,066</u>
Tax expense	\$ 151,540	149,763

For the years ended December 31, 2020 and 2019, there was no income tax recognized in equity or other comprehensive income.

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

Reconciliation of income tax and profit before tax for 2020 and 2019 were as follows:

	2020	2019
Profit excluding income tax	\$ 778,939	750,922
Income tax using the company's domestic tax rate	155,787	150,184
Non-deductible expense	130	-
Tax-exempt income	(6,443)	(3,772)
Change in unrecognized temporary differences	253	5,505
Change in provision in prior periods	1,813	48
Additional tax on undistributed earnings	-	118
Others	-	(2,320)
	\$ 151,540	149,763

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2020	December 31, 2019
Tax effect of deductible temporary differences	\$ 13,289	10,427

2) Recognized deferred tax assets and liabilities

Change in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

	Unrealized loss on valuation of inventories	Loss on investment	Others	Total
Deferred tax assets:				
Balance at January 1, 2020	\$ -	12,000	2,497	14,497
Recognized in profit or loss	-	(3,000)	(1,342)	(4,342)
Balance at December 31, 2020	\$ -	9,000	1,155	10,155
Balance at January 1, 2019	\$ 680	20,294	2,521	23,495
Recognized in profit or loss	(680)	(8,294)	(24)	(8,998)
Balance at December 31, 2019	\$ -	12,000	2,497	14,497

(Continued)

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

	<u>Others</u>
Deferred tax liabilities:	
Balance at January 1, 2020	\$ (81)
Recognized in profit or loss	31
Balance at December 31, 2020	<u>\$ (50)</u>
Balance at January 1, 2019	\$ (13)
Recognized in profit or loss	(68)
Balance at December 31, 2019	<u>\$ (81)</u>

(iii) Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the tax authority.

(p) Capital and other equity

As of December 31, 2020 and 2019, the total value of authorized ordinary shares were both amounted to \$500,000 thousand with par value of \$10 per share, and the contributed capital were amounted to \$425,755 thousand and \$425,790 thousand, respectively.

Reconciliation of shares outstanding for 2020 and 2019 were as follows:

(in thousand shares)

	<u>Ordinary share</u>	
	<u>2020</u>	<u>2019</u>
Balance on January 1	42,576	42,579
Retirement of restricted employee stock	-	(3)
Issuance of restricted employee stock	363	-
Balance on December 31	<u>42,939</u>	<u>42,576</u>

(i) Ordinary share

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

(ii) Capital surplus

The balances of capital surplus as of 2020 and 2019, were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Share premium	\$ 313,411	338,956
Employee share options	2,269	2,269
Restricted employee stock	62,656	-
Changes in equity of associated and joint ventures accounted for using equity method	-	641
	<u>\$ 378,336</u>	<u>341,866</u>

(Continued)

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

At the general meeting of shareholders held on June 18, 2020, and June 20, 2019, the Company approved a resolution to distribute \$25,545 thousand and \$80,900 thousand from capital surplus of share premium as cash dividend of \$0.6 and \$1.9 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.

(iii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. The amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31 2020 and 2019, the balance of special earnings reserve were 223,776 thousand and 200,278 thousand.

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

3) Earnings Distribution

Earnings distribution for 2019 and 2018 was decided by the resolution adopted, at the general meeting of shareholders held on June 18, 2020 and June 20, 2019, respectively. The relevant dividend distributions to shareholders were as follow:

	2019		2018	
	Dividend per Share	Amount (thousand)	Dividend per Share	Amount (thousand)
Dividends distributed to common shareholders:				
Cash	\$ 12.20	<u>519,421</u>	10.60	<u>451,337</u>

On March 18, 2021, the Company resolved to appropriate the 2020 earnings to its shareholders with the cash dividends amounting to \$12.00 dollar per share, and shares dividends amounting to \$1.83 dollar per share.

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through over comprehensive income	Unearned employee compensation	Total
Balance at January 1, 2020	\$ (103,729)	(120,047)	-	(223,776)
Exchange differences of net asset in foreign operations	(1,534)	-	-	(1,534)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(23,539)	-	(23,539)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(31,589)	-	(31,589)
Share-based payment	-	-	(56,193)	(56,193)
Balance at December 31, 2020	<u>\$ (105,263)</u>	<u>(175,175)</u>	<u>(56,193)</u>	<u>(336,631)</u>
Balance at January 1, 2019	\$ (80,934)	(119,343)	(2,278)	(202,555)
Exchange differences of net asset in foreign operations	(22,795)	-	-	(22,795)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(704)	-	(704)
Share-based payment	-	-	2,278	2,278
Balance at December 31, 2019	<u>\$ (103,729)</u>	<u>(120,047)</u>	<u>-</u>	<u>(223,776)</u>

(Continued)

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

(q) Share-based payment

The Board of Directors' meeting on June 18, 2020 and June 16, 2016, the Company decided to award \$424 thousand and \$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.. On June 18, 2020 and September 19, 2016, the Board of Directors issued \$363 thousand and \$320 thousand shares of the restricted stock. The record date for the capital increase through issuance of restricted shares was October 15, 2020 and October 14, 2016.

In 2020, those employees with the restricted stock awards are entitled to obtain complimentary shares with the condition that these employees continue to provide service to the Company for at least 4 years (from the grant date). 50% of the restricted stock is vested in year 1 after the grant date, 25% is vested in year 2 after the grant date, 15% is vested in year 2 after the grant date, and the remaining 10% is vested in year 4 after the grant date. These employees could acquire without consideration.

In 2016, those employees with the restricted stock awards are entitled to obtain complimentary shares with the condition that these employees achieve the performance and continue to provide service to the Company for at least 3 years (from the grant date). 40% of the restricted stock is vested in year 1 after the grant date, 40% is vested in year 2 after the grant date, and the remaining 20% is vested in year 3 after the grant date. These employees could acquire without consideration.

If these employees who obtain the restricted stock awards violate Regulation Governing Issuance of Restricted Stock Awards in 2016 and 2020, employment contract, confidential contract, trust contract, Ethical Corporate Management Best Practice Principles, Codes of ethical Conduct, the Rules of Information Security, Work Rules, and so on, the Company will repurchase all the unvested shares without charge, and cancel the shares thereafter.

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

As of December 31, 2020 and 2019, the balances of unearned compensation were \$56,193 thousand and \$0 thousand and the expenses sprang from the restricted stock awards were \$10,093 thousand and \$3,194 thousand, respectively.

Details of the restricted stock of the Company are as follows :

	<u>2020</u>	<u>2019</u>
Outstanding at 1 January	\$ -	63
Granted during the year	363	-
Vested during the year	-	(60)
Forfeited during the year	-	(3)
Outstanding at December 31	<u>\$ 363</u>	<u>-</u>

(Continued)

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

(r) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
<u>Basic earnings per share</u>		
Weighted average number of ordinary shares (thousand shares)	\$ <u>627,399</u>	<u>601,159</u>
Basic earnings per share (NT dollars)	<u>42,576</u>	<u>42,529</u>
Basic earnings per share (NT dollars)	<u>\$ 14.74</u>	<u>14.14</u>
	<u>2020</u>	<u>2019</u>
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the Company	\$ <u>627,399</u>	<u>601,159</u>
Weighted average number of ordinary shares (thousand shares)	42,576	42,529
Effect of dilutive potential ordinary shares:		
Effect of employee share bonus	306	254
Effect of restricted employee shares unvested	8	48
Weighted average number of ordinary shares (diluted)	<u>42,890</u>	<u>42,831</u>
Diluted earnings per share (NT dollars)	<u>\$ 14.63</u>	<u>14.04</u>

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets:		
Taiwan	\$ <u>1,487,428</u>	<u>1,413,137</u>
Major products/services lines:		
Revenue of internet service	\$ 1,158,455	1,071,110
Platform commission income	328,973	330,835
Product sales	-	11,192
	<u>\$ 1,487,428</u>	<u>1,413,137</u>

For the years ended December 31 2020 and 2019, revenue from e-commerce were \$1,384,433 thousand and \$1,311,824 thousand, which were both 93% of total revenue.

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

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2018
Trade receivable	\$ 95,900	107,306	127,657
Less: allowance for impairment	(24,598)	(24,598)	(11,804)
	<u>\$ 71,302</u>	<u>82,708</u>	<u>115,853</u>
Contract liability-internet service	\$ 227,739	196,687	184,469
Contract liability-online advertising solicitation	-	-	1
	<u>\$ 227,739</u>	<u>196,687</u>	<u>184,470</u>

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

The amount of revenue recognized for the years ended December 31 2020 and 2019, that was included in the contract liability balance at the beginning of the period were \$196,687 thousand and \$184,470 thousand, respectively.

(t) Employee compensation and directors' and supervisors' remuneration

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

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

For the years ended December 31 2020 and 2019, the Company estimated its employee remuneration and directors' and supervisors' remuneration amounting as following:

	2020	2019
Employee compensation	\$ 54,500	51,800
Directors' and supervisors' remuneration	7,560	7,400
	<u>\$ 62,060</u>	<u>59,200</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 2020 and 2019. The employee compensation which assign with share capital, the estimated amounts are calculated base on the day before decision to assign by board of directions.

The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2020 and 2019. Related information would be available at the Market Observation Post System website.

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

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follow :

	2020	2019
Interest income from bank deposits	<u>\$ 2,644</u>	<u>3,665</u>

Interest income of bank

(ii) Other income

The details of other income were as follows:

	2020	2019
Rent income	\$ 3,137	2,901
Dividend income	3,010	1,478
Handling charge	6,498	8,105
Other income, others	<u>6,521</u>	<u>3,121</u>
	<u>\$ 19,166</u>	<u>15,605</u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	2020	2019
Losses on disposals of property, plant and equipment	\$ (12)	-
Gains on disposals of investment	608	545
Foreign exchange (losses) gains	(2,017)	1,158
Financial assets at fair value through profit or (loss)	(648)	-
Miscellaneous disbursements	<u>(925)</u>	<u>(87)</u>
	<u>\$ (2,994)</u>	<u>1,616</u>

(iv) Finance costs

The details of finance costs were as follows:

	2020	2019
Interest expense	<u>\$ 147</u>	<u>260</u>

(Continued)

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

(v) Reclassification adjustments of components of other comprehensive income

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

	<u>2020</u>	<u>2019</u>
Debt instruments at fair value through other comprehensive income		
Net change in fair value	\$ 2,356	584
Net change in fair value reclassified to profit or loss	(608)	(545)
Net change in fair value recognized in other comprehensive income	<u>\$ 1,748</u>	<u>39</u>

(w) Financial instrument

(i) Type of financial instruments

1) Financial assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets at fair value through profit or loss:		
Financial asset designated as at fair value through profit or loss	\$ 22,809	-
Financial assets at fair value through other comprehensive income	\$ 141,297	155,668
Amortized cost financial assets:		
Cash and cash equivalents	514,741	458,769
Notes and trade receivables	71,302	82,708
Trade receivable due from related parties	55,591	64,821
Other financial assets	571,222	546,760
Total	<u>\$ 1,376,962</u>	<u>1,308,726</u>

2) Financial liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial liabilities measured at amortized cost:		
Notes and trade payables	\$ 3,440	14
Accounts payable to related parties	52,018	76,535
Other payables	214,405	183,441
Receipts under custody	429,414	414,788
Total	<u>\$ 699,277</u>	<u>674,778</u>

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

(ii) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

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

(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, 2020		
Non-derivative financial liabilities		
Notes and trade payables	\$ 3,440	3,440
Trade payable to related parties	52,018	52,018
Other payables	214,405	214,405
Receipts under custody	<u>429,414</u>	<u>429,414</u>
	<u>\$ 699,277</u>	<u>699,277</u>
December 31, 2019		
Non-derivative financial liabilities		
Notes and trade payables	\$ 14	14
Trade payable to related parties	76,535	76,535
Other payables	183,441	183,441
Receipts under custody	<u>414,788</u>	<u>414,788</u>
	<u>\$ 674,778</u>	<u>674,778</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.

(Continued)

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

(v) Interest rate analysis

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

(vi) Other market price risk

For the years ended 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Price of securities at the reporting date	2020		2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 1%	\$ 1,263	-	1,236	-
Decreasing 1%	\$ (1,263)	-	(1,236)	-

(vii) Information of fair value

1) Fair value hierarchy

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

	December 31, 2020				
	Book Value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Bonds investments	\$ 22,809	22,809	-	-	22,809
Financial assets at fair value through other comprehensive income					
Stocks in domestic listed company	14,417	-	14,417	-	14,417
Stocks in domestic unlisted company	111,915	-	-	111,915	111,915
Funds investments	14,965	14,965	-	-	14,965
Total	\$ 164,106	37,774	14,417	111,915	164,106

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

December 31, 2019					
	Book Value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks in domestic listed company	\$ 24,983	-	24,983	-	24,983
Stocks in domestic unlisted company	98,626	-	-	98,629	98,629
Funds investments	14,762	14,762	-	-	14,762
Bonds investments	17,294	17,294	-	-	17,294
Total	\$ 155,665	32,056	24,983	98,629	155,668

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

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

(Continued)

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

3) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance, January 1, 2020	\$ 98,629
Total gains and losses recognized	
In profit or loss	-
In other comprehensive income	(14,714)
Purchased	30,000
Cash refund capital reduction	(2,000)
Ending Balance, December 31, 2020	\$ 111,915
Opening balance, January 1, 2019	45,324
Total gains and losses recognized	
In profit or loss	-
In other comprehensive income	3,305
Purchased	50,000
Ending Balance, December 31, 2019	98,629

For the years ended 2020 and 2019, total gains and losses that were included in “other gains and losses”, and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	2020	2019
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”	\$ (14,714)	3,305

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.

(Continued)

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

Quantified information of significant unobservable inputs was as follows :

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investments without an active market	Comparable company analysis	· P/B ratio (1.40~5.48 and 0.79~20.98 on December 31, 2020 and 2019, respectively) · Lack-of-Marketability Discount (30.00 and 19.88~37.09 on December 31, 2020 and 2019)	The estimated fair value would increase (decrease) if: · The P/B ratio were higher (lower); · Lack-of-Marketability discount were lower (higher).;
Financial assets at fair value through other comprehensive income-equity investments without an active market	Binomial options pricing model	· Volatility (37.11% on December 31, 2020 and 2019) · Equity Value (5.84~10.73 and 8.29 on December 31, 2020 and 2019)	The estimated fair value would increase (decrease) if: · The volatility were lower (higher); · The equity value were higher (lower).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net asset valuation method	· Net asset valuation	Not applicable

(Continued)

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

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

			Pofit or loss		Other comprehensive income	
	Inputs	Variation	Favourable	Unfavourable	Favourable	Unfavourable
December 31, 2020						
Financial assets fair value through other comprehensive income						
Investment in equity instrument without active market	P/B ratio	5%	-	-	1,639	(1,640)
	Lack-of-Market ability discount	1%	-	-	463	(463)
	Volatility	1%	-	-	640	(606)
	Equity value	5%	-	-	1,266	(1,256)
December 31, 2019						
Financial assets fair value through other comprehensive income						
Investment in equity instrument without active market	P/B ratio	5%	-	-	1,976	(1,975)
	Lack-of-Market ability discount	1%	-	-	629	(628)
	Volatility	1%	-	-	680	(690)
	Equity value	5%	-	-	590	(600)

(x) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

(Continued)

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

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

(iii) Credit risk

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

1) Trade and other receivable

The Company's exposure of risk are affected by the individual status of each client. The management also considers the statistics of the client basic data, including default risk of industry and country, these factors might affect credit risk.

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

2) Investments

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

(iv) Liquidity risk

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

(v) Market risk

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

(Continued)

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

1) Currency risk

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

2) Other market price risk

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

(y) Capital management

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

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

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

The Company's debt-to-equity ratio at the end of the reporting period as of 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 983,389	918,707
Less: cash and cash equivalents	514,741	458,769
Net debt	\$ 468,648	459,938
Total equity	\$ 1,817,077	1,750,991
Debt-to-equity ratio at December 31	25.79 %	26.27 %

As of December 31, 2020, the Company's capital management strategy is consistent with the prior year.

(Continued)

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

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

The Company's investing and financing activities which did not affect the current cash flow to acquire right-of-use assets in the years ended December 31, 2020 and 2019.

Reconciliation of liabilities arising from financing activities were as follows:

	Non-cash changes						December 31, 2020
	January 1, 2020	Cash flows	Acquisition	Foreign exchange movement	Fair value changes	Others	
Lease liabilities	\$ 10,277	(3,085)	-	-	-	1,816	9,008
Total liabilities from financing activities	\$ 10,277	(3,085)	-	-	-	1,816	9,008

	Non-cash changes						December 31, 2019
	January 1, 2019	Cash flows	Acquisition	Foreign exchange movement	Fair value changes	Others	
Lease liabilities	\$ 6,178	(2,766)	-	-	-	6,865	10,277
Total liabilities from financing activities	\$ 6,178	(2,766)	-	-	-	6,865	10,277

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Company
Addcn Technology (Samoa) Co., Ltd.	A subsidiary of the Company
Addcn Technology (SHENZHEN) Co., Ltd.	A subsidiary of the Company
Addcn Technology (HK) Co., Ltd.	A subsidiary of the Company
Digit Marketing Co., Ltd.	An associate of the Company
Element III Venture Capital Co., Ltd.	Same chairman with the Company

(b) Significant transactions with related parties

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

	Sales amount		Trade receivable	
	2020	2019	December 31, 2020	December 31, 2019
Associate-Digit Marketing	\$ 83,918	91,068	55,591	64,777

The Company signed a fourteen-month advertising sales contract and a one-year data use contract with Digit Marketing in June 2019 and December 2019, respectively. Sales revenue from related parties amounting to \$83,918 thousand and \$91,068 thousand in 2020 and 2019. Trade receivable from related parties amounting to \$55,591 thousand and \$64,777 thousand for the years ended December 31, 2020 and 2019, were uncollateralized; thus, no expected credit loss was required after the assessment. The term of receivable was 180 days.

(Continued)

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

The Company signed an thirteen-month advertising sales contract and one-year service contract with Digit Marketing in October 2020 and December 2020, respectively. The execution of contracts was on January 1, 2021.

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

	Purchase amount		Trade payable	
	2020	2019	December 31, 2020	December 31, 2019
Addcn Technology (SHENZHEN) Co., Ltd.	<u>\$ 261,939</u>	<u>263,024</u>	<u>52,018</u>	<u>76,535</u>

The Company and Addcn Technology (SHENZHEN) Co., Ltd. signed a contract in January 2020 and 2017, with the contract period for 1 year and 3 years. 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 4,000 and CNY 2,500 monthly, and reconciles quarterly.

- (iii) Other transaction with related parties

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

Account	Relationship	2020	2019
Commission fee	Associate	\$ 5,597	25,431
Other expense	Associate	769	1,590
Rent income	Associate	2,071	1,423
Other income	Associate	420	420
Other income	Subsidiary	1,200	1,200
Account	Relationship	2020	2019
Other payables	Associate	\$ 66	295
Other payables	Subsidiary	-	106
Other receivables	Associate	125	-
Other receivables	Subsidiary	152	217
Trade receivables	Subsidiary	-	44

The Company entered into an advertising project contract with Digit Marketing in September 2019, with the period from October 1 to December 31, 2020. The contract stipulated that the Company need to pay a fixed percentage of amount according to actual solicitation as commission expense. Commission expense from related parties amounting to \$5,597 and \$25,431 thousand in 2020 and 2019, respectively. As of December 31, 2020 and 2019, the outstanding balance were \$0 for the year ended.

(Continued)

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

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

(iv) Other

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Salaries and wages	\$ 46,890	46,210
Share-based payments	4,720	7,960
	<u>\$ 51,610</u>	<u>54,170</u>

Please refer to note 6(q) 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, 2020	December 31, 2019
Other current financial assets (time deposits)	License of employment service agency	\$ 3,000	3,000
Other current financial assets (trust account)	Obligation of collection and payment on behalf of another party	463,079	438,265
		<u>\$ 466,079</u>	<u>441,265</u>

(9) Commitments and contingencies:

Details about purchased the office were as follow:

	December 31, 2020	December 31, 2019
Total contract price	\$ 101,580	237,050
Not yet paid	<u>\$ 91,430</u>	<u>215,500</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(Continued)

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

(12) Other:

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

By item	By function	2020			2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		58,420	119,777	178,197	42,892	107,435	150,327
Labor and health insurance		5,245	6,895	12,140	4,012	6,305	10,317
Pension		2,584	2,537	5,121	1,960	2,226	4,186
Remuneration of directors		-	5,610	5,610	-	5,456	5,456
Others		159	4,135	4,294	82	3,880	3,962
Depreciation		5,897	18,697	24,594	5,504	16,019	21,523
Amortization		-	9,334	9,334	-	9,317	9,317

For the years ended December 31 2020 and 2019, additional information of number of employee and employee benefit were as follows:

	2020	2019
Number of employees	<u>155</u>	<u>138</u>
Number of directors who were not employees	<u>5</u>	<u>5</u>
The average employee benefit	<u>\$ 1,332</u>	<u>1,270</u>
The average salaries and wages	<u>\$ 1,188</u>	<u>1,131</u>
Adjustment of the average salaries and wages	<u>5.13 %</u>	
Salaries of supervisor	<u>\$ 2,250</u>	<u>2,189</u>

Details about the policy of salaries (including directors, supervisors, managers and employees) were as follows:

Independent directors' salaries are taken reference to domestic industry standard, receive fixed amount salary monthly, but do not receive remunerations to Directors and Supervisors. Directors' and supervisors' salaries are reference to the allocate of earnings

Managers' and employees' salaries mainly include basic salaries, year-end bonuses, employee wages and other award paid in stocks. Salaries are taken reference from market average, job level, experience, education, professional knowledge and skills and seniority.

Staffs salaries are taken reference to job level, work performance, years of services, which are paid after permitting by Board meeting.

In accordance with the Articles of Incorporation, where the Company has earnings in a giving year, the Company shall allocate 1% or above of earnings as staff remunerations, 3% or below as Directors' and Supervisors' remunerations.

(Continued)

Addcn Technology Co., Ltd.

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock Jacker cleaning Inc.	None	Equity investments at FVOCI	360	9,084	11.42 %	9,084	
The Company	Stock Element I Venture Capital Co., Ltd.	None	"	1,800	12,392	3.64 %	12,392	
The Company	Stock Cherri Tech Inc.	None	"	100	23,357	4.68 %	23,357	
The Company	Class A special share Element III Venture Capital Co., Ltd.	Note1	"	4,000	30,520	- %	30,520	Note2
The Company	Class B special share Element III Venture Capital Co., Ltd.	Note1	"	1,000	12,640	- %	12,640	Note2
The Company	Class A special share Element IV Venture Capital Co., Ltd.	None	"	2,400	18,408	- %	18,408	Note2
The Company	Class B special share Element IV Venture Capital Co., Ltd.	None	"	600	5,514	- %	5,514	Note2
The Company	Stock Newretail Co., Ltd.	None	"	2,516	14,417	5.24 %	14,417	
The Company	Fund UPAMC China High Yield Bond Fund	None	Debt investments at FVOCI	-	1,677	- %	1,677	
The Company	Fund Amundi Funds II-Emerging Markets Bond A USD D ExD	None	"	-	5,039	- %	5,039	
The Company	Fund UPAMC Dyna-Strategy Global Multi-Asset Fund B TWD	None	"	-	8,249	- %	8,249	
The Company	Bond Apple Inc. bond	None	Financial assets at FVPL	-	16,513	- %	16,513	
The Company	Bond Credit Suisse Group AG	None	"	-	6,296	- %	6,296	

Note1: The chairman is the same as the Company

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

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(Continued)

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

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information			References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount		
The Company Adden Technology (SHENZHEN) Co., Ltd.	Land and building	2020.11.12	101,580	10,150	Ruyico Tech Corporation.	Non-related person				-	Valuation report	personal-use
	Right-of-use-land and Building	2019.11.13	237,270 (CNY55,000)	237,270 (CNY55,000)	Wei-Chwn Wen Tsai-Ding Wen	Non-related person				-	Valuation report	personal-use

- (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

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Adden Technology (Samoa) Co., Ltd.	Samoa	Foreign holding company	1,010,616 (USD29,760)	950,236 (USD27,510)	31,760	100.00 %	825,497	690	690	Subsidiary (Note)
The Company	Digit Marking Co., Ltd.	Taiwan	Advertising	7,441	7,441	2,277	30.29 %	49,714	89,445	29,206	Associate
Adden Technology (Samoa)	Adden Technology (HK) Co., Ltd.	Hong Kong	Electronic information supply	204,005 (USD6,500)	204,005 (USD6,500)	6,500	70.00 %	28,118	(17,425)	(12,198)	Subsidiary (Note)

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

- (c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 3)	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2020 (Note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020 (Note 3)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Adden Technology (SHENZHEN) Co., Ltd.	System application management, maintenance and customer service	708,126 (USD20,200)	(1)	567,626 (USD20,200)	140,500	-	708,126 (USD20,200)	14,836	100.00%	14,836	767,043	-

- (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
708,126 (USD20,200)	708,126 (USD25,200)	1,090,246

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

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

Note 3: The amounts of accumulated outflow of investment from Taiwan were translated into New Taiwan dollars at the reporting date.

Note 4: The upper limit on investment was calculated in accordance with the regulations of the Investment Commission of the Ministry of Economic Affairs for 60% of the net equity or consolidated net equity.

- (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
SHENG CHEND Investment Co., Ltd.		3,887,739	9.05 %
QIAN YI Investment Co., Ltd.		3,849,767	8.96 %
JPMorgan Chase Bank, National Association Taipei branch mutual fund investment account		3,560,000	8.29 %
LIAO-SHI-FANG		3,437,142	8.00 %
Cheng Yu Investment Co., Ltd.		2,254,024	5.24 %

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2020.

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Adden Technology Co., Ltd.

Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Petty cash		\$ 50
Cash in bank	Check deposits	10
	Demand deposits	510,957
	Foreign deposits (USD\$57 thousand, Exchange rate 28.10)	1,611
	(CNY\$490 thousand, Exchange rate 4.31)	2,113
	Subtotal	514,691
Total		<u>\$ 514,741</u>

Statement of trade receivables

Client name	Description	Amount
Presco Netmarketing, Inc.	Sales	\$ 44,482
E-Net Co., Ltd.	"	20,995
Familynet Co., Ltd.	"	14,703
Others (individual accounts with less than 5% of the total amount)	"	15,720
Subtotal		95,900
Less: Allowance for doubtful accounts		(24,598)
Total		<u>\$ 71,302</u>

Adden Technology Co., Ltd.

Statement of changes in financial assets measured at fair value through profit or loss - non-current

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Balance at January 1, 2020		Addition		Reduction		Balance at December 31, 2021		Calculative impairment	Provide Guarantee or pledge	Notes
	Quantity	Fair value	Quantity	Amounts	Quantity	Amounts	Quantity	Fair value			
Corporate bonds-Credit Suisse Group AG	-	\$ -	13	6,296	-	-	13	6,296	-	None	
Corporate bonds-Apple Inc.	-	-	6	16,513	-	-	6	16,513	-	None	
Total		<u>\$ -</u>		<u>22,809</u>		<u>-</u>		<u>22,809</u>			

Adden Technology Co., Ltd.

Statement of financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2020

(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	\$ 1,729	-	-	-	(52)	200	1,677	-	None	
Amundi Funds II-Emerging Markets Bond A USD D ExD	5	9,000	-	-	-	(751)	5	8,249	-	None	
UPAMC Dyna-Strategy Global Multi-Asset Fund B TWD	500	4,033	-	1,006	-	-	500	5,039	-	None	
Corporate bonds-saudi Oil Company	5	17,294	-	-	(5)	(17,294)	-	-	-	None	
Subtotal		<u>32,056</u>		<u>1,006</u>		<u>(18,097)</u>		<u>14,965</u>	<u>-</u>		
Equity investments at Fair Value through Other Comprehensive Income											
Element I Venture Capital Co., Ltd.	2,000	15,290	-	-	(200)	(2,898)	1,800	12,392	N/A	None	
					(Note 1)						
Cherri Tech Inc.	100	29,203	-	-	-	(5,846)	100	23,357	N/A	None	
Jacker cleaning Inc.	360	9,786	-	-	-	(702)	360	9,084	N/A	None	
Newretail Co., Ltd.	9,572	24,983	-	-	(7,056)	(10,566)	2,516	14,417	N/A	None	
					(Note 2)						
Element III Venture Capital Co., Ltd.-Class A special share	4,000	29,240	-	-	-	1,280	4,000	30,520	N/A	None	
Element III Venture Capital Co., Ltd.-Class B special share	1,000	15,110	-	-	-	(2,470)	1,000	12,640	N/A	None	
Element IV Venture Capital Co., Ltd.-Class A special share	-	-	2,400	24,000	-	(5,592)	2,400	18,408	N/A	None	
Element IV Venture Capital Co., Ltd.-Class B special share	-	-	600	6,000	-	(486)	600	5,514	N/A	None	
Subtotal		<u>123,612</u>		<u>30,000</u>		<u>(27,280)</u>		<u>126,332</u>			
Total		<u>\$ 155,668</u>		<u>31,006</u>		<u>(45,377)</u>		<u>141,297</u>			

Note 1: The amounts received from capital reduction by cash by Element I Venture Capital Co., Ltd. was \$2,000 thousand in February 2020.

Note 2: Capital reduction for cover accumulated deficits by Newretail Co., Ltd. in July 2020.

Adden Technology Co., Ltd.

Statement of changes in investments accounted for using the equity method

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Investment income/(loss) recognized under equity method, net	Exchange differences on translation	Others	Ending Balance			Market Value or Net Assets Value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Percentage of ownership	Amount	Unit price	Total amount	
Adden Technology (Samoa) Co., Ltd.	29,760	\$ 765,968	2,000	60,380	-	-	690	(1,534)	(7)	31,760	100 %	825,497	-	825,497	None
									(Note 1)						
Digit Marketing Co., Ltd.	1,199	35,988	1,078	-	-	14,113	29,206	-	(1,367)	2,277	30.29 %	49,714	-	43,491	None
			(Note 2)			(Note 3)			(Note 4)						
		<u>\$ 29,166</u>		<u>60,380</u>		<u>14,113</u>	<u>29,896</u>	<u>(1,534)</u>	<u>(1,374)</u>			<u>875,211</u>		<u>868,988</u>	

Note 1: Recognized \$7 thousand as other comprehensive income of the subsidiary by shareholding percentage.

Note 2: Digit Marketing Co., Ltd. paid stock dividend in 2020.

Note 3: Digit Marketing Co., Ltd. paid cash dividend in 2020.

Note 4: The effect amount of \$1,367 thousand was not recognized by shareholding percentage.

Adden Technology Co., Ltd.

Statement of administrative expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses	Total
Salary and Wages	\$ 25,389	51,110	48,888	125,387
Advertisement expenses	123,995	500	-	124,495
Other expense	-	34,895	-	34,895
Depreciation expense	-	17,454	1,243	18,697
Handling charge	14,592	-	-	14,592
Amortization expense	-	9,334	-	9,334
Professional service fee	-	8,714	-	8,714
Others (less than 5%)	9,380	21,887	1,654	32,921
Total	<u>\$ 173,356</u>	<u>143,894</u>	<u>51,785</u>	<u>369,035</u>

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

Please refer to Note 6(k) for “Statement of Other Non-current Financial Assets”.

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

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

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

Please refer to Note 6(g) for “Statement of Changes in Right-of-use Assets”.

Please refer to Note 6(g) for “Statement of Changes in Accumulated Depreciation of Right-of-use Assets”.

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

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

Please refer to Note 6(i) for “Statement of Changes in Intangible Assets”.

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

Please refer to Note 6(s) for “Statement of Operating Revenues”.

Please refer to Note 6(u) for “Statement of Other Gains and Losses, net”.

Please refer to Note 6(u) for “Statement of Financial costs”.