

**Sonix Technology Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019**

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents	\$ 785,907	20	\$ 724,611	20	\$ 779,534	22
Financial assets at fair value through profit or loss - current	152,180	4	128,242	4	258,779	7
Financial assets at amortized at cost - current	323,995	8	293,495	8	191,170	5
Notes and trade receivables from unrelated parties	435,946	11	405,982	11	387,302	11
Inventories	797,953	21	668,976	18	557,650	15
Other current assets	<u>75,358</u>	<u>2</u>	<u>59,128</u>	<u>2</u>	<u>42,561</u>	<u>1</u>
Total current assets	<u>2,571,339</u>	<u>66</u>	<u>2,280,434</u>	<u>63</u>	<u>2,216,996</u>	<u>61</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current	277,742	7	346,200	9	364,130	10
Investments accounted for using the equity method	8,235	-	7,836	-	8,868	-
Property, plant and equipment	757,700	20	756,572	21	796,760	22
Investment properties	127,745	3	128,477	4	159,770	4
Intangible assets	54,944	2	56,365	2	60,716	2
Deferred tax assets	50,057	1	36,471	1	34,879	1
Refundable deposits	4,913	-	5,508	-	6,665	-
Other non-current assets	<u>20,686</u>	<u>1</u>	<u>18,963</u>	<u>-</u>	<u>84</u>	<u>-</u>
Total non-current assets	<u>1,302,022</u>	<u>34</u>	<u>1,356,392</u>	<u>37</u>	<u>1,431,872</u>	<u>39</u>
TOTAL	<u>\$ 3,873,361</u>	<u>100</u>	<u>\$ 3,636,826</u>	<u>100</u>	<u>\$ 3,648,868</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Trade payables to unrelated parties	\$ 324,311	8	\$ 243,840	7	\$ 210,965	6
Other payables	210,815	6	218,413	6	173,331	5
Current tax liabilities	70,283	2	37,433	1	46,837	1
Other current liabilities	<u>82,146</u>	<u>2</u>	<u>19,671</u>	<u>-</u>	<u>12,736</u>	<u>-</u>
Total current liabilities	<u>687,555</u>	<u>18</u>	<u>519,357</u>	<u>14</u>	<u>443,869</u>	<u>12</u>
NON-CURRENT LIABILITIES						
Provisions - non-current	9,030	-	8,572	-	6,508	-
Deferred tax liabilities	-	-	10	-	-	-
Net defined benefit liabilities - non-current	23,897	-	24,137	1	26,883	1
Guarantee deposits	<u>72,655</u>	<u>2</u>	<u>74,546</u>	<u>2</u>	<u>62,490</u>	<u>2</u>
Total non-current liabilities	<u>105,582</u>	<u>2</u>	<u>107,265</u>	<u>3</u>	<u>95,881</u>	<u>3</u>
Total liabilities	<u>793,137</u>	<u>20</u>	<u>626,622</u>	<u>17</u>	<u>539,750</u>	<u>15</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	<u>1,678,770</u>	<u>43</u>	<u>1,678,770</u>	<u>46</u>	<u>1,678,770</u>	<u>46</u>
Capital surplus	<u>62,661</u>	<u>2</u>	<u>62,661</u>	<u>2</u>	<u>62,661</u>	<u>2</u>
Retained earnings						
Legal reserve	869,185	22	869,185	24	936,044	26
Special reserve	121,110	3	121,110	3	21,894	-
Unappropriated earnings	<u>489,812</u>	<u>13</u>	<u>345,547</u>	<u>10</u>	<u>425,188</u>	<u>12</u>
Total retained earnings	<u>1,480,107</u>	<u>38</u>	<u>1,335,842</u>	<u>37</u>	<u>1,383,126</u>	<u>38</u>
Other equity	<u>(141,314)</u>	<u>(3)</u>	<u>(67,069)</u>	<u>(2)</u>	<u>(15,439)</u>	<u>(1)</u>
Total equity	<u>3,080,224</u>	<u>80</u>	<u>3,010,204</u>	<u>83</u>	<u>3,109,118</u>	<u>85</u>
TOTAL	<u>\$ 3,873,361</u>	<u>100</u>	<u>\$ 3,636,826</u>	<u>100</u>	<u>\$ 3,648,868</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 834,342	100	\$ 617,308	100
OPERATING COSTS				
Cost of goods sold	<u>451,296</u>	<u>54</u>	<u>385,601</u>	<u>62</u>
GROSS PROFIT	<u>383,046</u>	<u>46</u>	<u>231,707</u>	<u>38</u>
OPERATING EXPENSES				
Selling and marketing expenses	18,804	2	15,447	3
General and administrative expenses	37,307	5	33,187	5
Research and development expenses	168,734	20	155,013	25
Gain on reversal of expected credit loss	<u>(94)</u>	<u>-</u>	<u>(73)</u>	<u>-</u>
Total operating expenses	<u>224,751</u>	<u>27</u>	<u>203,574</u>	<u>33</u>
PROFIT FROM OPERATIONS	<u>158,295</u>	<u>19</u>	<u>28,133</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	8,264	1	13,900	2
Other gains and losses	(3,205)	(1)	6,686	1
Share of profit or loss of associates accounted for using equity method	<u>399</u>	<u>-</u>	<u>(33)</u>	<u>-</u>
Total non-operating income and expenses	<u>5,458</u>	<u>-</u>	<u>20,553</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	163,753	19	48,686	8
INCOME TAX EXPENSE	<u>19,488</u>	<u>2</u>	<u>7,408</u>	<u>1</u>
NET PROFIT FOR THE PERIOD	<u>144,265</u>	<u>17</u>	<u>41,278</u>	<u>7</u>

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SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME AND LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive income	\$ (68,364)	(8)	\$ 88,873	14
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(5,881)</u>	<u>(1)</u>	<u>16,570</u>	<u>3</u>
Total other comprehensive income and loss	<u>(74,245)</u>	<u>(9)</u>	<u>105,443</u>	<u>17</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 70,020</u>	<u>8</u>	<u>\$ 146,721</u>	<u>24</u>
EARNINGS PER SHARE				
Basic	<u>\$ 0.86</u>		<u>\$ 0.25</u>	
Diluted	<u>\$ 0.85</u>		<u>\$ 0.24</u>	

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT\$30.225 to US\$1.00 at March 31, 2020, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

The accompanying notes are an integral part of the consolidated financial statements.

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SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Exchange Differences on Translating Foreign Operations	Other Equity		Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings			Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value	Total	
					Unappropriated Earnings	Total				
BALANCE AT JANUARY 1, 2019	\$ 1,678,770	\$ 62,661	\$ 936,044	\$ 21,894	\$ 383,910	\$ 1,341,848	\$ (43,035)	\$ (77,847)	\$ (120,882)	\$ 2,962,397
Net profit for the three months ended March 31, 2019	-	-	-	-	41,278	41,278	-	-	-	41,278
Other comprehensive income for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	16,570	88,873	105,443	105,443
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	41,278	41,278	16,570	88,873	105,443	146,721
BALANCE AT MARCH 31, 2019	\$ 1,678,770	\$ 62,661	\$ 936,044	\$ 21,894	\$ 425,188	\$ 1,383,126	\$ (26,465)	\$ 11,026	\$ (15,439)	\$ 3,109,118
BALANCE AT JANUARY 1, 2020	\$ 1,678,770	\$ 62,661	\$ 869,185	\$ 121,110	\$ 345,547	\$ 1,335,842	\$ (74,247)	\$ 7,178	\$ (67,069)	\$ 3,010,204
Net profit for the three months ended March 31, 2020	-	-	-	-	144,265	144,265	-	-	-	144,265
Other comprehensive loss for the three months ended March 31, 2020 net of income tax	-	-	-	-	-	-	(5,881)	(68,364)	(74,245)	(74,245)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	144,265	144,265	(5,881)	(68,364)	(74,245)	70,020
BALANCE AT MARCH 31, 2020	\$ 1,678,770	\$ 62,661	\$ 869,185	\$ 121,110	\$ 489,812	\$ 1,480,107	\$ (80,128)	\$ (61,186)	\$ (141,314)	\$ 3,080,224

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

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 163,753	\$ 48,686
Adjustments for:		
Depreciation expenses	18,518	14,458
Amortization expenses	3,501	4,829
Gain on reversal of expected credit loss	(94)	(73)
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	5,745	(2,426)
Interest income	(2,420)	(2,065)
Share of (profit) loss of associates accounted for using equity method	(399)	33
Price reduction of inventories	36	6,030
Net (gain) loss on foreign currency exchange	(1,253)	27
Changes in operating assets and liabilities		
Trade and notes receivables	(28,908)	644
Inventories	(128,980)	3,685
Other current assets	(15,970)	651
Trade payables	79,559	29,620
Other payables	(7,108)	(35,183)
Provisions for employee benefits	458	363
Other current liabilities	62,471	986
Net defined benefit liability	(240)	(216)
Cash generated from operations	148,669	70,049
Interest received	2,126	2,383
Income tax paid	(237)	(196)
Net cash generated from operating activities	<u>150,558</u>	<u>72,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(30,635)	(1,550)
Purchase of financial assets at fair value through profit or loss	(90,000)	(100,000)
Proceeds from sale of financial assets at fair value through profit or loss	60,317	21,006
Payments for property, plant and equipment	(21,851)	(5,086)
Increase in refundable deposits	-	(495)
Decrease in refundable deposits	421	-
Payments for intangible assets	(2,097)	(5,539)
Increase in other non-current assets	(1,723)	-
Net cash used in investing activities	<u>(85,568)</u>	<u>(91,664)</u>

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SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended	
	March 31	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	\$ -	\$ 368
Refunds of guarantee deposits received	<u>(774)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>(774)</u>	<u>368</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(2,920)</u>	<u>6,246</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,296	(12,814)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>724,611</u>	<u>792,348</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 785,907</u>	<u>\$ 779,534</u>

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT\$30.225 to US\$1.00 at March 31, 2020, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Sonix Technology Co., Ltd (the “Company”) was incorporated in the Republic of China (“ROC”) in July 1996. The Company mainly develops, designs, manufactures and trades semiconductors.

The Company was listed at OTC market on November 27, 2000 and submitted applications for listed at stock exchange market to Securities and Futures Bureau, FSC on June 27 then approved by Taiwan Stock Exchange on July 25, 2003. The Company’s shares have been traded at the Taiwan Stock Exchange since August 25, 2003.

For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s stocks are listed on the Taipei Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 6, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

- a. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated.

b. Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

d. Other significant accounting policies

Except for the following, for the summary of significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2019.