

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019**

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents	\$ 951,406	21	\$ 724,611	20	\$ 626,755	17
Financial assets at fair value through profit or loss - current	64,519	2	128,242	4	189,039	5
Financial assets at amortized at cost - current	330,802	7	293,495	8	294,603	8
Notes and trade receivables from unrelated parties	741,668	17	405,982	11	438,912	12
Inventories	919,841	21	668,976	18	592,416	17
Other current assets	57,744	1	59,128	2	72,124	2
Total current assets	<u>3,065,980</u>	<u>69</u>	<u>2,280,434</u>	<u>63</u>	<u>2,213,849</u>	<u>61</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current	416,699	9	346,200	9	359,007	10
Investments accounted for using the equity method	8,378	-	7,836	-	8,882	-
Property, plant and equipment	751,334	17	756,572	21	765,296	21
Investment properties	126,475	3	128,477	4	157,743	5
Intangible assets	56,304	1	56,365	2	58,252	2
Deferred tax assets	41,373	1	36,471	1	34,859	1
Refundable deposits	4,890	-	5,508	-	6,258	-
Other non-current assets	36	-	18,963	-	7,375	-
Total non-current assets	<u>1,405,489</u>	<u>31</u>	<u>1,356,392</u>	<u>37</u>	<u>1,397,672</u>	<u>39</u>
TOTAL	<u>\$ 4,471,469</u>	<u>100</u>	<u>\$ 3,636,826</u>	<u>100</u>	<u>\$ 3,611,521</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Notes payable to unrelated parties	\$ 228	-	\$ -	-	\$ 223	-
Trade payables to unrelated parties	423,058	10	243,840	7	301,430	8
Other payables	312,121	7	218,413	6	214,561	6
Current tax liabilities	104,933	2	37,433	1	17,729	1
Other current liabilities	17,248	-	19,671	-	14,102	-
Total current liabilities	<u>857,588</u>	<u>19</u>	<u>519,357</u>	<u>14</u>	<u>548,045</u>	<u>15</u>
NON-CURRENT LIABILITIES						
Provisions - non-current	9,946	-	8,572	-	7,722	-
Deferred tax liabilities	-	-	10	-	-	-
Net defined benefit liabilities - non-current	23,383	1	24,137	1	26,433	1
Guarantee deposits	82,482	2	74,546	2	72,512	2
Total non-current liabilities	<u>115,811</u>	<u>3</u>	<u>107,265</u>	<u>3</u>	<u>106,667</u>	<u>3</u>
Total liabilities	<u>973,399</u>	<u>22</u>	<u>626,622</u>	<u>17</u>	<u>654,712</u>	<u>18</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	1,678,770	38	1,678,770	46	1,678,770	46
Capital surplus	62,661	1	62,661	2	62,661	2
Retained earnings						
Legal reserve	903,337	20	869,185	24	869,185	24
Special reserve	67,297	2	121,110	3	121,110	4
Unappropriated earnings	778,940	17	345,547	10	261,247	7
Total retained earnings	1,749,574	39	1,335,842	37	1,251,542	35
Other equity	7,065	-	(67,069)	(2)	(36,164)	(1)
Total equity	<u>3,498,070</u>	<u>78</u>	<u>3,010,204</u>	<u>83</u>	<u>2,956,809</u>	<u>82</u>
TOTAL	<u>\$ 4,471,469</u>	<u>100</u>	<u>\$ 3,636,826</u>	<u>100</u>	<u>\$ 3,611,521</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 September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales	\$ 1,530,287	100	\$ 844,613	100	\$ 3,855,530	100	\$ 2,395,524	100
OPERATING COST								
Cost of goods sold	<u>914,008</u>	<u>60</u>	<u>495,245</u>	<u>59</u>	<u>2,188,978</u>	<u>57</u>	<u>1,441,241</u>	<u>60</u>
GROSS PROFIT	<u>616,279</u>	<u>40</u>	<u>349,368</u>	<u>41</u>	<u>1,666,552</u>	<u>43</u>	<u>954,283</u>	<u>40</u>
OPERATING EXPENSES								
Selling and marketing expenses	20,415	1	18,853	2	61,934	2	53,612	2
General and administrative expenses	48,775	3	38,890	5	136,755	3	114,374	5
Research and development expenses	202,014	13	189,450	22	581,648	15	529,832	22
Gain on reversal of expected credit loss	<u>-</u>	<u>-</u>	<u>(89)</u>	<u>-</u>	<u>(94)</u>	<u>-</u>	<u>(249)</u>	<u>-</u>
Total operating expenses	<u>271,204</u>	<u>17</u>	<u>247,104</u>	<u>29</u>	<u>780,243</u>	<u>20</u>	<u>697,569</u>	<u>29</u>
PROFIT FROM OPERATIONS	<u>345,075</u>	<u>23</u>	<u>102,264</u>	<u>12</u>	<u>886,309</u>	<u>23</u>	<u>256,714</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES								
Other income	10,508	1	11,412	2	19,477	1	27,918	1
Other gains and losses	(4,848)	(1)	(6,898)	(1)	(19,738)	(1)	2,621	-
Share of profit or loss of associates accounted for using equity method	115	-	70	-	542	-	(19)	-
Interest income	<u>2,137</u>	<u>-</u>	<u>1,947</u>	<u>-</u>	<u>7,120</u>	<u>-</u>	<u>5,882</u>	<u>-</u>
Total non-operating income and expenses	<u>7,912</u>	<u>-</u>	<u>6,531</u>	<u>1</u>	<u>7,401</u>	<u>-</u>	<u>36,402</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	352,987	23	108,795	13	893,710	23	293,116	12
INCOME TAX EXPENSE	<u>62,986</u>	<u>4</u>	<u>19,188</u>	<u>2</u>	<u>127,436</u>	<u>3</u>	<u>34,238</u>	<u>1</u>
NET PROFIT FOR THE PERIOD	<u>290,001</u>	<u>19</u>	<u>89,607</u>	<u>11</u>	<u>766,274</u>	<u>20</u>	<u>258,878</u>	<u>11</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 September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	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	\$ (58,414)	(4)	\$ 22,219	3	\$ 78,884	2	\$ 98,558	4
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	17,985	1	(21,393)	(3)	(4,750)	-	(13,840)	(1)
Total other comprehensive income and loss	(40,429)	(3)	826	-	74,134	2	84,718	3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 249,572	16	\$ 90,433	11	\$ 840,408	22	\$ 343,596	14
EARNINGS PER SHARE								
Basic	\$ 1.73		\$ 0.53		\$ 4.56		\$ 1.54	
Diluted	\$ 1.70		\$ 0.53		\$ 4.47		\$ 1.54	

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\$29.10 to US\$1.00 at September 30, 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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Other Equity		Total	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
			Legal Reserve	Special Reserve	Unappropriated Earnings					
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
Appropriation of 2018 earnings	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	33,867	-	(33,867)	-	-	-	-	-
Special reserve	-	-	-	99,216	(99,216)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(248,458)	(248,458)	-	-	-	(248,458)
Issuance of share dividends from legal reserve	-	-	(100,726)	-	-	(100,726)	-	-	-	(100,726)
Net profit for the nine months ended September 30, 2019	-	-	-	-	258,878	258,878	-	-	-	258,878
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	(13,840)	98,558	84,718	84,718
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	258,878	258,878	(13,840)	98,558	84,718	343,596
BALANCE AT SEPTEMBER 30, 2019	\$ 1,678,770	\$ 62,661	\$ 869,185	\$ 121,110	\$ 261,247	\$ 1,251,542	\$ (56,875)	\$ 20,711	\$ (36,164)	\$ 2,956,809
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
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	34,152	-	(34,152)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(352,542)	(352,542)	-	-	-	(352,542)
Reversal of special reserve	-	-	-	(53,813)	53,813	-	-	-	-	-
Net profit for the nine months ended September 30, 2020	-	-	-	-	766,274	766,274	-	-	-	766,274
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	(4,750)	78,884	74,134	74,134
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	766,274	766,274	(4,750)	78,884	74,134	840,408
BALANCE AT SEPTEMBER 30, 2020	\$ 1,678,770	\$ 62,661	\$ 903,337	\$ 67,297	\$ 778,940	\$ 1,749,574	\$ (78,997)	\$ 86,062	\$ 7,065	\$ 3,498,070

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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 Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 893,710	\$ 293,116
Adjustments for:		
Depreciation expenses	63,491	42,687
Amortization expenses	10,550	13,267
Gain on reversal of expected credit loss	(94)	(249)
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	3,227	(2,924)
Interest income	(7,120)	(5,882)
Dividend income	(5,541)	(8,546)
Share of (profit)/loss of associates accounted for using equity method	(542)	19
Net gain on disposal of property, plant and equipment	1	-
Write-downs of inventory and loss of obsolete inventory	10,544	310
Net loss on foreign currency exchange	253	973
Changes in operating assets and liabilities		
Trade and notes receivables	(340,709)	(53,119)
Inventories	(261,383)	(25,176)
Other current assets	(2,483)	(30,105)
Notes payable	228	223
Trade payables	180,404	121,711
Other payables	95,170	6,115
Provisions for employee benefits	1,374	1,577
Other current liabilities	(2,416)	2,352
Compensation costs of employee share options	(754)	(666)
Cash generated from operations	<u>637,910</u>	<u>355,683</u>
Interest received	7,750	7,135
Dividends received	13,853	22,788
Income tax paid	<u>(61,661)</u>	<u>(56,039)</u>
Net cash generated from operating activities	<u>597,852</u>	<u>329,567</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(38,122)	(105,106)
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	150,496	91,244
Payments for property, plant and equipment	(58,528)	(36,653)
Proceeds from disposal of property, plant and equipment	-	15

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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 Nine Months Ended September 30	
	2020	2019
(Increase)/decrease in refundable deposits	\$ 283	\$ (104)
Payments for intangible assets	(10,505)	(11,643)
(Increase)/decrease in non-current assets	<u>18,927</u>	<u>(7,288)</u>
Net cash generated from (used in) investing activities	<u>(27,449)</u>	<u>(169,535)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	10,667	11,329
Dividends paid to owners of the Company	<u>(352,542)</u>	<u>(349,184)</u>
Net cash used in financing activities	<u>(341,875)</u>	<u>(337,855)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(1,733)</u>	<u>12,230</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	226,795	(165,593)
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>\$ 951,406</u>	<u>\$ 626,755</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\$29.10 to US\$1.00 at September 30, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 November 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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018 - 2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

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

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

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

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.

c. Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires to compare the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10 per cent. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

d. Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments.

e. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

Several standards were amended in the amendments. The amendments to IFRS 9 and IFRS 16 provide specific practical expedient that the modification of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform shall be applied by revising the effective interest rate. Besides, the amendments to IFRS 9 introduce additional temporary exceptions for hedging relationships subject to interest rate benchmark reform.

The Group may not restate prior reporting periods when applying the aforementioned amendments, and recognize the cumulative effect in the retained earnings or other component of equity at the date of the initial application instead.

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.