Sonix Technology Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2016 and 2015

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		March 31, 2015 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents	$ 987,358	27	$ 1,045,784	28	$ 860,915	22
Financial assets in available-for-sale - current	323,278	9	113,654	3	125,760	3
Debt investments with no active market - current	737,810	20	987,806	27	1,262,423	32
Notes and trade receivables from unrelated parties	366,213	10	455,560	12	378,852	10
Inventories, net	394,258	11	322,993	9	474,185	12
Other current assets	66,217	2	51,893	1	62,323	1
Total current assets	2,875,134	79	2,977,690	80	3,164,458	80
NON-CURRENT ASSETS						
Financial assets measured at cost - non-current	34	-	34	-	34	-
Investments accounted for using equity method	9,623	-	9,648	-	11,718	-
Property, plant and equipment	460,153	13	457,571	12	455,601	12
Investment properties	192,336	5	193,460	5	196,117	5
Intangible assets	57,323	2	50,239	2	67,963	2
Deferred tax assets	36,986	1	31,572	1	33,948	1
Refundable deposits	7,271	-	7,308	-	7,310	-
Total non-current assets	763,726	21	749,832	20	772,691	20
TOTAL	$ 3,638,860	100	$ 3,727,522	100	$ 3,937,149	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Notes payable	$ 27,486	1	$ 32,268	1	$ 37,388	1
Trade payables to unrelated parties	151,845	4	232,648	6	208,840	5
Other payables	156,943	4	209,536	6	204,694	5
Current tax liabilities	38,971	1	26,614	1	55,865	2
Other current liabilities	26,019	1	16,785	-	2,124	-
Total current liabilities	401,264	11	517,851	14	508,911	13
NON-CURRENT LIABILITIES						
Provisions for employee benefits	9,814	-	9,430	-	8,928	-
Deferred tax liabilities	75	-	1,768	-	399	-
Defined benefit liability	24,629	1	24,850	1	17,877	-
Guarantee deposits	65,898	2	60,846	1	60,027	2
Total non-current liabilities	100,416	3	96,894	2	87,231	2
Total liabilities	501,680	14	614,745	16	596,142	15
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	1,678,770	46	1,678,770	45	1,678,770	43
Capital surplus	62,661	2	62,661	2	62,661	2
Retained earnings						
Legal reserve	939,474	26	939,474	25	887,026	22
Special reserve	228	-	228	-	7,616	-
Unappropriated earnings	458,742	12	431,442	12	702,537	18
Total retained earnings	1,398,444	38	1,371,144	37	1,597,179	40
Other equity	(2,695)	-	202	-	2,397	-
Total equity	3,137,180	86	3,112,777	84	3,341,007	85
TOTAL	$ 3,638,860	100	$ 3,727,522	100	$ 3,937,149	100

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			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES				
Sales	$ 618,610	100	$ 707,982	100
OPERATING COSTS				
Cost of goods sold	360,874	59	403,419	57
GROSS PROFIT	257,736	41	304,563	43
OPERATING EXPENSES				
Selling and marketing expenses	17,665	3	16,671	2
General and administrative expenses	32,632	5	27,827	4
Research and development expenses	174,154	28	178,360	25
Total operating expenses	224,451	36	222,858	31
PROFIT FROM OPERATIONS	33,285	5	81,705	12
NON-OPERATING INCOME AND EXPENSES				
Interest income	4,078	1	4,961	1
Leasing income	2,937	-	2,598	-
Share of loss of associates accounted for using equity method	(25)	-	(1,339)	-
Other income	1,546	-	1,421	-
Foreign exchange losses	(8,529)	(1)	(6,802)	(1)
Other expenditures	(427)	-	(245)	-
Total non-operating income and expenses	(420)	-	594	-
PROFIT BEFORE INCOME TAX	32,865	5	82,299	12
INCOME TAX EXPENSE	5,565	1	10,858	2
NET PROFIT FOR THE PERIOD	27,300	4	71,441	10

(Continued)

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			
	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME AND LOSS				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (2,521)	-	$ (3,667)	(1)
Unrealized loss on available-for-sale financial assets	(515)	-	(1,848)	-
Share of the loss of associates and joint ventures accounted for using equity method	139	-	-	-
Total other comprehensive income and loss	(2,897)	-	(5,515)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 24,403	4	$ 65,926	9
EARNINGS PER SHARE				
Basic	$ 0.16		$ 0.43	
Diluted	$ 0.16		$ 0.42	

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$32.185 to US$1.00 at March 31, 2016, 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, Except Amount Per Share)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company									
			Retained Earnings				Other Equity			
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets	Total	Total Equity
BALANCE AT JANUARY 1, 2015	$ 1,678,770	$ 62,661	$ 887,026	$ 7,616	$ 631,096	$ 1,525,738	$ 7,961	$ (49)	$ 7,912	$ 3,275,081
Net income for the three months ended March 31, 2015	-	-	-	-	71,441	71,441	-	-	-	71,441
Other comprehensive income (loss) for the three months ended March 31, 2015, net of income tax	-	-	-	-	-	-	(3,667)	(1,848)	(5,515)	(5,515)
Total comprehensive income (loss) for the three months ended March 31, 2015	-	-	-	-	71,441	71,441	(3,667)	(1,848)	(5,515)	65,926
BALANCE AT MARCH 31, 2015	$ 1,678,770	$ 62,661	$ 887,026	$ 7,616	$ 702,537	$ 1,597,179	$ 4,294	$ (1,897)	$ 2,397	$ 3,341,007
BALANCE AT JANUARY 1, 2016	$ 1,678,770	$ 62,661	$ 939,474	$ 228	$ 431,442	$ 1,371,144	$ 4,205	$ (4,003)	$ 202	$ 3,112,777
Net income for the three months ended March 31, 2016	-	-	-	-	27,300	27,300	-	-	-	27,300
Other comprehensive income (loss) for the three months ended March 31, 2016, net of income tax	-	-	-	-	-	-	(2,521)	(376)	(2,897)	(2,897)
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	-	27,300	27,300	(2,521)	(376)	(2,897)	24,403
BALANCE AT MARCH 31, 2016	$ 1,678,770	$ 62,661	$ 939,474	$ 228	$ 458,742	$ 1,398,444	$ 1,684	$ (4,379)	$ (2,695)	$ 3,137,180

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$32.185 to US$1.00 at March 31, 2016, 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.

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	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 32,865	$ 82,299
Adjustments for:		
Depreciation expenses	17,103	14,522
Amortization expenses	5,702	5,341
Interest income	(4,078)	(4,961)
Price recovery of inventory	(2,854)	(143)
Share of loss of associates accounted for using equity method	25	1,339
Net gain on disposal of property, plant and equipment	-	(4)
Net loss on foreign currency exchange	4,420	269
Pension contribution	(221)	(221)
Changes in operating assets and liabilities		
Trade and notes receivables	81,550	61,263
Inventories	(68,372)	(61,894)
Other current assets	(13,962)	203
Notes payable	(4,782)	(8,543)
Trade payables	(77,759)	(20,835)
Other payables	(52,592)	(23,978)
Other current liabilities	9,239	(2,690)
Provisions for employee benefits	384	385
Cash used in operations	(73,332)	42,352
Interest received	3,746	5,573
Income tax paid	(324)	(462)
Net cash used in operating activities	(69,910)	47,463
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in available-for-sale financial assets	(210,000)	-
Proceeds on sale of debt investments with no active market	249,170	177,347
Payments for property, plant and equipment	(19,775)	(17,299)
Proceeds from disposal of property, plant and equipment	-	8
Decrease in refundable deposits	100	62
Payments for intangible assets	(12,782)	(14,063)
Net cash used in investing activities	6,713	146,055
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	6,338	148
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(1,567)	(2,030)

(Continued)

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	
	2016	**2015**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (58,426)	$ 191,636
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,045,784	669,279
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 987,358	$ 860,915

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$32.185 to US$1.00 at March 31, 2016, 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)

(In Thousands of New Taiwan Dollars)

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's shares have been listed on the Taipei Exchange since November 2000.

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 reported to the board of directors and authorized for issue on May 11, 2016.

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

- The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet endorsed by the FSC

  The Group have not applied the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC.

  On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018

(Continued)

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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
Amendments to IFRS 10, IFRS 12 and IAS 28 “investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

a. IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

1) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

2) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

b. Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2/Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique.

c. Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

d. Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

e. Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 "Property, Plant and Equipment" requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

1) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

2) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

f. IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

If the customer has retained a portion of payment to the Group in accordance with the term of the contract in order to protect the customer from the contractor's possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component under IFRS 15. Under current standard, retention receivables under construction contract should be discounted to reflect time value of money.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

g. Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 7, IAS 9 and IAS 34 were amended in this annual improvement.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

h. IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

i. Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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 POLICY

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 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 consolidation

See Note 12 and addendum 3 and 4 for the detailed information of subsidiaries including the percentage of ownership and main business.

c. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2015.

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.

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, 2015.