

**Unaudited Condensed Interim Consolidated Financial Statements of**

**Advent-AWI Holdings Inc.**

**For the three and nine months ended September 30, 2020 and 2019**

## **ADVENT-AWI HOLDINGS INC.**

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Advent-AWI Holdings Inc. (the Company) have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**ADVENT-AWI HOLDINGS INC.****Condensed Interim Consolidated Statements of Financial Position**

(Unaudited, expressed in Canadian dollars)

	Sept. 30, 2020	Dec. 31, 2019
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,950,739	9,617,723
Trade and other receivables (note 4)	711,200	1,095,339
Inventories (note 5)	105,748	107,286
Marketable securities (note 6)	4,245,642	5,263,590
Prepaid and deposits - current (note 7)	513,432	15,709
Loans receivable - current (note 8)	2,055,618	1,750,319
Income taxes receivable	<u>-</u>	<u>80,817</u>
	<u>16,582,379</u>	<u>17,930,783</u>
<b>Non-current assets</b>		
Loans receivable (note 8)	784,445	502,564
Prepaid and deposits (note 7)	47,274	43,926
Other assets (note 7)	500,000	-
Right-of-use assets (note 11)	459,234	330,859
Property, plant and equipment (note 9)	533,482	564,060
Investment properties (note 10)	975,909	1,604,011
Deferred income tax assets	<u>133,167</u>	<u>143,584</u>
	<u>3,433,511</u>	<u>3,189,004</u>
<b>Total assets</b>	<u>20,015,890</u>	<u>21,119,787</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**ADVENT-AWI HOLDINGS INC.****Condensed Interim Consolidated Statements of Financial Position (continued)**

(Unaudited, expressed in Canadian dollars)

	Sept. 30, 2020	Dec. 31, 2019
	\$	\$
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade accounts payable	889,765	1,364,776
Other payables and accrued liabilities	692,140	763,015
Government remittances payable	38,033	40,220
Tenant deposits	17,000	32,154
Lease liabilities - current (note 11)	168,221	146,616
Income taxes payable	<u>93,975</u>	<u>-</u>
	1,899,134	2,346,781
<b>Non-current liabilities</b>		
Government loan (note 13)	40,000	-
Lease liabilities (note 11)	297,761	186,533
Loans payable (note 12)	<u>150,000</u>	<u>150,000</u>
<b>Total liabilities</b>	<u>2,386,895</u>	<u>2,683,314</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 14)	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	<u>12,682,317</u>	<u>13,550,572</u>
Capital attributable to shareholders of Advent-AWI Holdings Inc.	17,580,964	18,449,219
Non-controlling interests	<u>48,031</u>	<u>(12,746)</u>
<b>Total equity</b>	<u>17,628,995</u>	<u>18,436,473</u>
<b>Total liabilities and shareholders' equity</b>	<u>20,015,890</u>	<u>21,119,787</u>

Commitments (note 19)

**APPROVED BY THE BOARD OF DIRECTORS**

\_\_\_\_\_  
"Edgar Pang" Director  
Edgar Pang

\_\_\_\_\_  
"Alice Chiu" Director  
Alice Chiu

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**ADVENT-AWI HOLDINGS INC.****Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

(Unaudited, expressed in Canadian dollars)

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
<b>Revenue</b> (note 23)				
Wireless income	1,069,803	1,527,605	2,152,934	3,830,108
Financing income (note 8)	<u>142,166</u>	<u>199,909</u>	<u>497,568</u>	<u>571,919</u>
<b>Total revenue</b>	1,211,969	1,727,514	2,650,502	4,402,027
<b>Cost of sales</b> (note 5)	<u>(584,716)</u>	<u>(840,804)</u>	<u>(1,145,494)</u>	<u>(2,191,395)</u>
<b>Gross profit</b>	<u>627,253</u>	<u>886,710</u>	<u>1,505,008</u>	<u>2,210,632</u>
<b>Expenses</b> (note 23)				
General and administration (note 15)	626,238	708,291	1,616,434	2,289,751
Advertisement and promotion	5,638	9,024	14,298	32,627
Depreciation - right-of-use assets	47,683	31,944	132,599	107,688
Amortization of property, plant and equipment	11,473	16,194	35,127	50,434
Amortization of investment properties	<u>8,972</u>	<u>10,172</u>	<u>27,426</u>	<u>30,518</u>
<b>Total expenses</b>	<u>700,004</u>	<u>775,625</u>	<u>1,825,884</u>	<u>2,511,018</u>
<b>Operating income (loss)</b>	<u>(72,751)</u>	<u>111,085</u>	<u>(320,876)</u>	<u>(300,386)</u>
<b>Investment income</b>				
Rental income	13,689	48,790	51,840	143,177
Interest income	8,980	68,243	103,764	183,497
Gain on sale of assets	<u>-</u>	<u>48,988</u>	<u>1,483,121</u>	<u>1,032,446</u>
	<u>22,669</u>	<u>166,021</u>	<u>1,638,725</u>	<u>1,359,120</u>
<b>Income (loss) before income taxes</b>	(50,082)	277,106	1,317,849	1,058,734
(Provision for) recovery of income taxes (note 16)	<u>18,000</u>	<u>(69,000)</u>	<u>(335,000)</u>	<u>(274,000)</u>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<u>(32,082)</u>	<u>208,106</u>	<u>982,849</u>	<u>784,734</u>
Net income (loss) and comprehensive income attributable to Shareholders of Advent-AWI Holdings Inc.	(52,179)	193,678	922,072	756,126
Non-controlling interests	<u>20,097</u>	<u>14,428</u>	<u>60,777</u>	<u>28,608</u>
	<u>(32,082)</u>	<u>208,106</u>	<u>982,849</u>	<u>784,734</u>
<b>Basic and diluted earnings (loss) per share for net income (loss) attributable to the ordinary equity holders of the company</b> (note 18)	<u>(0.003)</u>	<u>0.017</u>	<u>0.082</u>	<u>0.066</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**ADVENT-AWI HOLDINGS INC.****Condensed Interim Consolidated Statements of Changes In Shareholders' Equity**

(Unaudited, expressed in Canadian dollars)

	Share Capital \$	Contributed Surplus \$	Retained Earnings \$	Non- controlling Interests \$	Total Equity \$
<b><u>Nine months ended Sept. 30, 2020</u></b>					
Balance - December 31, 2019	4,274,676	623,971	13,550,572	(12,746)	18,436,473
Net income attributable to non-controlling interests for the period	-	-	-	60,777	60,777
Net income attributable to shareholders of Advent-AWI Holdings Inc. for the period	-	-	922,072	-	922,072
Dividends paid (note 24)	<u>-</u>	<u>-</u>	<u>(1,790,327)</u>	<u>-</u>	<u>(1,790,327)</u>
Balance - September 30, 2020	<u>4,274,676</u>	<u>623,971</u>	<u>12,682,317</u>	<u>48,031</u>	<u>17,628,995</u>
<b><u>Nine months ended Sept. 30, 2019</u></b>					
Balance - December 31, 2018	4,274,676	623,971	14,512,875	(31,816)	19,379,706
Net income attributable to non-controlling interests for the period	-	-	-	28,608	28,608
Net income attributable to shareholders of Advent-AWI Holdings Inc. for the period	-	-	756,126	-	756,126
Dividends paid (note 24)	<u>-</u>	<u>-</u>	<u>(1,790,327)</u>	<u>-</u>	<u>(1,790,327)</u>
Balance - September 30, 2019	<u>4,274,676</u>	<u>623,971</u>	<u>13,478,674</u>	<u>(3,208)</u>	<u>18,374,113</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**ADVENT-AWI HOLDINGS INC.****Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited, expressed in Canadian dollars)

	3 months ended Sept. 30		9 months ended Sept. 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Cash flows provided by (used in) operating activities</b>				
Net income for the period	(32,082)	208,106	982,849	784,734
Items not affecting cash				
Amortization of property, plant and equipment	11,473	16,194	35,127	50,434
Amortization of investment properties	8,972	10,172	27,426	30,518
Depreciation - right-of-use assets	47,683	31,944	132,599	107,688
Interest expense	3,250	1,148	8,466	3,861
Lease payment	(49,336)	(32,687)	(136,607)	(109,063)
Gain on disposal of property, plant and equipment	-	(48,988)	(1,483,121)	(1,032,446)
Interest income	(8,980)	(68,243)	(103,764)	(183,497)
Current income tax expense	(21,097)	70,256	324,583	264,918
Deferred income tax expense (recovery)	3,097	(1,256)	10,417	9,082
Interest accretion of note receivable	-	-	-	(11,691)
	<u>(37,020)</u>	<u>186,646</u>	<u>(202,025)</u>	<u>(85,462)</u>
Changes in non-cash working capital items				
Trade and other receivables	(363,928)	(30,458)	384,139	410,037
Inventories	(91,038)	(52,275)	1,538	374,161
Prepaid expenses and deposits	4,043	2,136	(501,071)	44,859
Trade accounts payable	588,065	459,726	(395,012)	(511,375)
Other payables and accrued liabilities	252,692	95,386	(70,875)	(502,569)
Tenant deposits	(15,154)	-	(15,154)	416
Government remittances payable	48,807	6,238	(2,186)	14,881
Loans receivable	<u>(857,817)</u>	<u>(250,811)</u>	<u>(587,180)</u>	<u>(20,734)</u>
	<u>(434,330)</u>	<u>229,942</u>	<u>(1,185,801)</u>	<u>(190,324)</u>
Taxes paid	<u>(27,203)</u>	<u>(91,941)</u>	<u>(149,791)</u>	<u>(701,703)</u>
<b>Net cash flows provided by (used in) operating activities</b>	<u>(498,553)</u>	<u>324,647</u>	<u>(1,537,617)</u>	<u>(977,489)</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**ADVENT-AWI HOLDINGS INC.****Condensed Interim Consolidated Statements of Cash Flows (continued)**

(Unaudited, expressed in Canadian dollars)

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance carry-forward				
<b>Net cash flows provided by (used in) operating activities</b>	<u>(498,553)</u>	<u>324,647</u>	<u>(1,537,617)</u>	<u>(977,489)</u>
<b>Cash flows provided by (used in) investing activities</b>				
Other assets	-	-	(500,000)	-
Purchase of property, plant and equipment	(4,549)	(339)	(4,549)	(1,783)
Disposal of property, plant and equipment	-	164,675	2,083,796	1,776,045
Repayment of note receivable	-	-	-	66,666
Increase in marketable securities	-	2,000,000	1,017,949	2,000,000
Interest received	<u>8,980</u>	<u>68,243</u>	<u>103,764</u>	<u>183,497</u>
<b>Net cash flows provided by (used in) investing activities</b>	<u>4,431</u>	<u>2,232,579</u>	<u>2,700,960</u>	<u>4,024,425</u>
<b>Cash flows provided by (used in) financing activities</b>				
Government loan	(40,000)	-	(40,000)	-
Dividends paid	<u>-</u>	<u>(1,790,327)</u>	<u>(1,790,327)</u>	<u>(1,790,327)</u>
<b>Net cash provided by (used in) operations</b>	(534,122)	766,899	(666,984)	1,256,609
<b>Cash and cash equivalents - beginning of period</b>	<u>9,484,861</u>	<u>9,265,358</u>	<u>9,617,723</u>	<u>8,775,648</u>
<b>Cash and cash equivalents - end of period</b>	<u>8,950,739</u>	<u>10,032,257</u>	<u>8,950,739</u>	<u>10,032,257</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# **ADVENT-AWI HOLDINGS INC.**

## **Notes to Condensed Interim Consolidated Financial Statements**

### **For the three and nine months ended September 30, 2020 and 2019**

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(Unaudited, expressed in Canadian dollars)

#### **1. General information**

Advent-AWI Holdings Inc. (the Company), formerly known as Advent Wireless Inc., was incorporated on February 14, 1984 in British Columbia, Canada. The Company, together with its wholly owned subsidiaries, Am-Call Wireless Inc., 1013929 B.C. Ltd. and Advent Marketing Inc., sells cellular and wireless products, services and accessories through an independent network of four stores in Ontario, Canada, as at September 30, 2020.

Commencing in 2016, the Company is a 70% owner of Adwell Financial Services Inc. and its wholly owned subsidiary Adwell Mortgage Solutions Inc., a microfinancing company. The remaining interest is held equally between Adwealth Capital Holdings Inc. and Q&Y Holdings Inc. The unaudited condensed interim consolidated financial statements include the financial information of Adwell Financial Services Inc. and Adwell Mortgage Solutions Inc.

On September 1, 2020, the Company incorporated a wholly owned subsidiary in Hong Kong, Advent TeleMedicare Ltd., to distribute and sell certain health products and services in Hong Kong and Macau. The unaudited condensed interim consolidated financial statements include the financial information of Advent TeleMedicare Ltd.

The Company's registered office is 550 West Broadway, Unit 719, Vancouver, Canada, V5Z 0E9.

#### **2. Basis of preparation of the condensed interim consolidated financial statements**

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2019.

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2020 and 2019 were approved by the Board of Directors for issue on November 26, 2020.

#### **3. Significant accounting policies and judgment**

##### **(a) Significant accounting policies**

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

##### **Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Am-Call Wireless Inc., 1013929 B.C. Ltd., Advent Marketing Inc., Advent TeleMedicare Ltd., Adwell Financial Services Inc. and Adwell Mortgage Solutions Inc. All intercompany transactions and balances have been eliminated. Subsidiaries are those entities that are controlled by the Company. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

##### **Condensed interim consolidated statement of income (loss) and comprehensive income (loss) and cash flows**

The Company has elected to present a single condensed interim consolidated statement of income (loss) and comprehensive income (loss) and presents its expenses by nature.

The Company reports cash flows from operating activities using the indirect method. Interest paid is presented within operating cash flows.

## **ADVENT-AWI HOLDINGS INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

#### **For the three and nine months ended September 30, 2020 and 2019**

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(Unaudited, expressed in Canadian dollars)

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The principal sources of revenue to the Company are:

- 1) Sales of cellular phones, commission earned on sale of cellular plans and related products. Revenue is recognized when:
  - a) Sales of cellular phones and related products are sold to customers at the point of sale through one of its retail stores, net of returns.
  - b) Monthly commission revenue in connection with sales of cellular plans and related products are recorded in the month in which they are earned and measurable.
  - c) Quarterly bonus commission revenue is recorded in the last month of each quarter when targets are achieved. Annual bonus commission is recorded when received.
- 2) Financing income earned from microfinancing is recognized when earned and on an accrued basis.

#### **Investment income**

The Company's investment income consists of the following:

- a) Rental income includes rent from tenants under lease. All tenant rents are recognized in accordance with the underlying lease terms.
- b) Interest income is recognized when earned.

#### **Inventories**

Inventories consist of finished products. They are recorded at the lower of cost and net realizable value. The cost of inventory is determined on a specific cost basis, and net realizable value is the estimated selling price less applicable selling expenses.

#### **Financial instruments - recognition and measurement**

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset and the net amount is reported in the condensed interim consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the financial asset and settle the financial liability simultaneously.

## **ADVENT-AWI HOLDINGS INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

#### **For the three and nine months ended September 30, 2020 and 2019**

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(Unaudited, expressed in Canadian dollars)

Financial assets upon initial recognition are classified in one of two categories: (1) those to be measured subsequently at fair value either through other comprehensive income ("OCI") or through profit or loss; and (2) those to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The following classifications have been applied:

- Cash, trade and other receivables, note receivable, and loans receivable are classified as financial assets measured at amortized cost;
- Trade accounts payable, other payables and accrued liabilities, government remittances payable, tenant deposits and loans payable are classified as financial liabilities measured at amortized costs.

#### **Impairment of financial assets**

At each reporting date, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, note receivable and loans receivable, the Company applies the simplified approach permitted by IFRS 9 Financial Instruments (IFRS 9) which requires expected lifetime losses to be recognized at the time of initial recognition of the receivables. The Company determines expected credit losses using historical credit loss trends. This change in accounting policy did not result in a change in the trade and other receivables, note receivable or loans receivable on January 1, 2019, upon adoption.

#### **Deposits**

Deposits consist of deposits made for lease rental and are recorded at cost.

#### **Joint operations**

The Company recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenue and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 8.

#### **Marketable securities**

The Company's marketable securities consist of term deposits that are classified and measured at amortized cost using the effective interest method, plus accrued interest.

## **ADVENT-AWI HOLDINGS INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

#### **For the three and nine months ended September 30, 2020 and 2019**

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(Unaudited, expressed in Canadian dollars)

#### **Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Repairs and maintenance costs are charged to the condensed interim consolidated statements of income (loss) and comprehensive income (loss) during the period in which they are incurred.

Gains and losses on disposals of property, plant and equipment are determined by comparing the net proceeds with the carrying amount of the asset and are included as part of other gains and losses in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

Amortization is provided at the following annual rates:

Buildings	30 years straight-line
Computer hardware	3 years straight-line
Computer software	3 years straight-line
Furniture, fixtures and equipment	5 years straight-line
Leasehold improvements	straight-line over terms of lease

#### **Investment properties**

Investment properties include land and buildings in retail outlets held to earn rental income. Investment properties are recorded at cost, including transaction costs, less accumulated amortization. Transaction costs include land transfer taxes and professional fees.

#### **Impairment of non-financing assets**

Property, plant and equipment and investment properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

#### **Leases**

Leases in which a substantial portion of the risks and rewards of ownership are retained by the lessor are classified as an operating lease on the condensed interim consolidated statements of financial position. Payments made under operating leases (net of incentives recorded from the lessor) are charged to the condensed interim consolidated statements of income (loss) and comprehensive income (loss) on a straight-line basis over the period of the lease.

## **ADVENT-AWI HOLDINGS INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

#### **For the three and nine months ended September 30, 2020 and 2019**

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(Unaudited, expressed in Canadian dollars)

#### **Income taxes**

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

Current tax is the expected tax payable or receivable based on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the consolidated financial statements' carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred income tax assets are recognized to the extent that it is probable that the asset can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

#### **Earnings per share**

The Company presents basic and diluted earnings per share data. Basic earnings per share is calculated by dividing the net income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted earnings per share is determined by adjusting the net income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive instruments. The Company uses the treasury stock method for calculating diluted earnings per share.

#### **Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

#### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Financial Officer. The Corporation has two segments, which are "Wireless Business" and "Financing Business". The wireless segment sells cellular and wireless products, services and accessories through an independent network of stores in Ontario. The financing segment operates as a private lending company offering personal and collateral loans across the Greater Vancouver Area and Greater Toronto Area.

## **ADVENT-AWI HOLDINGS INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

#### **For the three and nine months ended September 30, 2020 and 2019**

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(Unaudited, expressed in Canadian dollars)

#### **Significant new and revised accounting standards and reporting changes adopted in the year**

Effective January 1, 2018, the Company adopted IFRS 9. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through the condensed interim consolidated statements of income and comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The Company has summarized the changes to the financial instruments in note 20. The adoption of IFRS 9 did not have any impact on the reported results.

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers (IFRS 15). IFRS 15 supersedes the current accounting standard for revenue, IAS 18, Revenue. IFRS 15 introduces a single model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

- 1) identify the contract with a customer;
- 2) identify the performance obligations in the contract;
- 3) determine the transaction price;
- 4) allocate the transaction price to the performance obligations in the contract; and
- 5) recognize revenue when (or as) the entity satisfies a performance obligation.

The application of this new standard did not have a significant impact on the reported results, as the performance obligations of the Company's revenue streams are satisfied at either the point of sale or when the transaction price is received, consistent with note 3, Revenue recognition accounting policies. The application of IFRS 15 does not affect the cash flows from operations or the methods and underlying economics through which the Company transacts with its customers.

Effective January 1, 2019, the Company adopted the new accounting standard IFRS 16, Leases (IFRS 16), using the modified retrospective approach, and comparative figures have not been restated. The new set of standards sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease, and if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17, Leases (IAS 17), and instead introduces a single lessee accounting model. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financing leases, and to account for those two types of leases differently.

## **ADVENT-AWI HOLDINGS INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

#### **For the three and nine months ended September 30, 2020 and 2019**

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(Unaudited, expressed in Canadian dollars)

Lease liabilities are recorded on the present value of the non-cancellable lease payments over the lease term and discounted at the Company's incremental borrowing rate. Lease payments include fixed payments only. The right-of-use assets are measured initially at cost and subsequently at amortized cost. The assets are depreciated over the term of the lease using the straight-line method. Extension and termination options exist for a number of the leases, and the Company has assessed all facts and circumstances available in determining the probability of exercising available extension and termination options. The Company includes the extension option in calculating the lease term when it determines that is reasonably certain that the Company will exercise the available extension option. The Company reassesses whether an extension option is included in the lease term when there is a change in events and circumstances that affects that decision and re-measures the lease liability upon change in assessment.

On adoption, the Company chose the practical expedient to grandfather any contracts that were previously considered to be leases. As part of the initial application of IFRS 16, the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability at adoption date.

#### **(b) Critical accounting estimates**

The preparation of consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Management's estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis.

The estimates and assumptions that could result in a material effect in the next financial year on carrying amounts of assets and liabilities are outlined below:

#### **Impairment of non-financial assets**

The determination of long-lived asset impairment requires significant estimates and assumptions to determine the recoverable amount of a cash generating unit ("CGU"), the recoverable amount being the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the CGU, discounted at an appropriate rate.

In the event an impairment analysis is required, the key assumptions that would be utilized in the determination of future cash flows would represent management's best estimate of the range of economic conditions relating to the CGU and would be based on historical experience, economic trends and communication with other key stakeholders of the Company. These key assumptions would include the revenue growth rate, margin as a percentage of revenues, capital expenditures, the inflation growth rate and the discount rate. Significant changes in the key assumptions used in the determination of future cash flows could result in an impairment loss or reversal of a previously recognized impairment loss.

#### **Estimated useful lives of non-financial assets**

Judgment is used to estimate each component of an asset's useful life and is based on an analysis of factors including, but not limited to, the expected use of the asset. If the estimated useful lives change, this could result in an increase or decrease in the annual amortization expense and future impairment charges.

## **ADVENT-AWI HOLDINGS INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

#### **For the three and nine months ended September 30, 2020 and 2019**

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(Unaudited, expressed in Canadian dollars)

#### **Income taxes**

Deferred income tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the consolidated financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations.

The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

Changes in the expected operating results, enacted tax rates, legislation or regulations and the Company's interpretations of income tax legislation will result in adjustments to the expectations of future timing difference reversals and may require material deferred tax adjustments.

#### **(c) Significant judgments**

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is set out below.

#### **Gross versus net revenue recognition**

The Company follows the guidance set out in IFRS 15 in determining the presentation of revenue and costs of sale. The guidance requires the Company to assess whether it acts as a principal in a transaction or as an agent acting on behalf of others. To the extent that revenue is earned through the sale of hardware and accessories to customers, the Company has determined that these amounts should be reported on a gross basis in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) as the Company is exposed to the risks and rewards before and after the associated transaction.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

**4. Trade and other receivables**

	Sept 30, 2020	Sept 30, 2019
	\$	\$
Trade and other receivables	<u>711,200</u>	<u>686,679</u>

In establishing the appropriate expected credit loss, assumptions are made with respect to the future collectability of the receivables. Management believes no expected credit loss is necessary as at September 30, 2020 and 2019 as the amounts are considered to be fully collectible and substantially current.

**5. Inventories**

All of the Company's inventory consists of finished goods. The cost of inventories recognized as an expense and included in cost of sales for the nine months ended September 30, 2020 amounted to \$1,145,494 (2019 - \$2,191,395). There have been no inventory write-downs in the period (2019 - \$nil). There are no non-inventory costs such as amortization, salary and payroll and rent and occupancy costs recorded in cost of sales.

**6. Marketable securities**

	Sept. 30, 2020	Sept. 30, 2019
	\$	\$
Term deposits (i)	4,015,642	5,000,000
Guaranteed investment certificate (ii)	<u>230,000</u>	<u>238,000</u>
Balance - End of period	<u>4,245,642</u>	<u>5,238,000</u>

i) The term deposits mature between December 29, 2020 to February 19, 2021, earning interest at a rate between 0.65% to 1.58% per annum.

ii) The guaranteed investment certificate matures on June 10, 2023 (2019 - June 9, 2020), earning interest at 0.55% per annum (2019 - 2.25% per annum).

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

**7. Prepaid and deposits**

Prepaid and deposits include \$1,000,000 payment to DynoSense Corp. (a digital therapeutics equipment manufacturer) for the right to sell and distribute certain health products and services in Hong Kong and Macau for a five-year term. The amount includes an advance payment for inventory. The initial term will be for five years and may be renewed for an additional five one-year terms thereafter.

**8. Loans receivable**

Loans receivable are unsecured short-term loans bearing interest ranging from 30% to 46% per annum, with a weighted average rate of 43%, from individual customers, from \$1,000 to \$7,500 with nine to thirty-six months flexible repayment terms with no early repayment penalties. Financing revenue earned in the three-month period ended September 30, 2020 is \$142,166 (2019 - \$199,909).

As at August 24, 2017, the Company has a 23% interest in a joint arrangement that was set up as a partnership together with a member of the Company's management and other non-related parties, to provide a secured loan to an unrelated individual. The joint venture agreement requires unanimous consent from all parties for all major decisions. This entity is therefore classified as a joint operation and the Company has included in the loans receivable a balance of \$637,000 (2019 - \$304,500), which represents its proportionate share of the outstanding balance. During the nine-month period ended September 30, 2020, the Company's share of interest income was \$52,469 (2019 - \$18,375), which is included in financing income.

**9. Property, plant and equipment**

	Land	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Sign	Computer hardware	Computer software	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
Balance, January 1, 2019	192,315	1,636,750	393,704	200,363	7,720	204,231	7,377	2,642,460
Disposals	(132,199)	(1,062,073)	(226,738)	(4,610)	(1,130)	(794)	-	(1,427,544)
Additions	-	-	-	1,049	-	734	-	1,783
Balance, December 31, 2019	60,116	574,677	166,966	196,802	6,590	204,171	7,377	1,216,699
Additions	-	-	-	4,549	-	-	-	4,549
Balance, September 30, 2020	<u>60,116</u>	<u>574,677</u>	<u>166,966</u>	<u>201,351</u>	<u>6,590</u>	<u>204,171</u>	<u>7,377</u>	<u>1,221,248</u>
<b>Amortization</b>								
Balance, January 1, 2019	-	531,691	347,407	185,086	2,831	195,450	5,838	1,268,303
Disposals	-	(450,673)	(226,738)	(1,921)	(396)	(794)	-	(680,522)
Amortization for the year	-	19,156	29,908	5,799	1,544	6,912	1,539	64,858
Balance, December 31, 2019	-	100,174	150,577	188,964	3,979	201,568	7,377	652,639
Amortization for the period	-	14,367	14,948	2,726	989	2,097	-	35,127
Balance, September 30, 2020	<u>-</u>	<u>114,541</u>	<u>165,525</u>	<u>191,690</u>	<u>4,968</u>	<u>203,665</u>	<u>7,377</u>	<u>687,766</u>
<b>Net carrying amount</b>								
Balance, December 31, 2019	<u>60,116</u>	<u>474,503</u>	<u>16,389</u>	<u>7,838</u>	<u>2,611</u>	<u>2,603</u>	<u>-</u>	<u>564,060</u>
Balance, September 30, 2020	<u>60,116</u>	<u>460,136</u>	<u>1,441</u>	<u>9,661</u>	<u>1,622</u>	<u>506</u>	<u>-</u>	<u>533,482</u>

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

**10. Investment properties**

	Land \$	Buildings \$	Total \$
<b>Cost</b>			
Balance, January 1, 2019	<u>721,428</u>	<u>1,375,389</u>	<u>2,096,817</u>
Balance, December 31, 2019	721,428	1,375,389	2,096,817
Disposals	<u>(514,310)</u>	<u>(299,790)</u>	<u>(814,100)</u>
Balance, September 30, 2020	<u>207,118</u>	<u>1,075,599</u>	<u>1,282,717</u>
<b>Amortization</b>			
Balance, January 1, 2019	-	446,820	446,820
Amortization for the year	<u>-</u>	<u>45,986</u>	<u>45,986</u>
Balance, December 31, 2019	-	492,806	492,806
Disposals	-	(213,424)	(213,424)
Amortization for the period	<u>-</u>	<u>27,426</u>	<u>27,426</u>
Balance, September 30, 2020	<u>-</u>	<u>306,808</u>	<u>306,808</u>
<b>Net carrying amount</b>			
Balance, December 31, 2019	<u>721,428</u>	<u>882,583</u>	<u>1,604,011</u>
Balance, September 30, 2020	<u>207,118</u>	<u>768,791</u>	<u>975,909</u>

The fair market value of the investment properties is estimated to be \$1,393,624 (2019 - \$3,681,000, of which two properties sold with two remaining at fair market value of \$1,319,600). The fair value was derived based on comparable sales or assessments of similar properties in the same mall or plaza adjusting for specific unit specifications such as size and location. The Company did not obtain independent valuation for its investment properties. The fair value measurement has been classified as Level 3 in the fair value hierarchy.

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

**11. Right-of-use Assets**

<b>(A) Cost</b>	<b>\$</b>
Balance, January 1, 2019	193,790
Additions	<u>271,592</u>
Balance, December 31, 2019	465,382
Additions	<u>260,974</u>
Balance, September 30, 2020	<u><u>726,356</u></u>
<b>Amortization</b>	
Balance, January 1, 2019	-
Amortization for the year	<u>134,523</u>
Balance, December 31, 2019	134,523
Amortization for the period	<u>132,599</u>
Balance, September 30, 2020	<u><u>267,122</u></u>
<b>Net carrying amount</b>	
Balance, December 31, 2019	<u>330,859</u>
Balance, September 30, 2020	<u><u>459,234</u></u>
<b>(B) Lease liabilities</b>	
Balance, January 1, 2019	193,791
Additions	<u>271,592</u>
Balance, December 31, 2019	465,383
Additions	<u>260,974</u>
Balance, September 30, 2020	<u><u>726,357</u></u>
<b>Lease reduction</b>	
Balance, January 1, 2019	-
Lease payment in the year	136,736
Less interest portion	<u>(4,502)</u>
Balance, December 31, 2019	132,234
Lease payment in the period	136,607
Less interest portion	<u>(8,466)</u>
Balance, September 30, 2020	<u><u>260,375</u></u>
<b>Net lease liabilities</b>	
Balance, December 31, 2019	<u>333,149</u>
Balance, September 30, 2020	<u><u>465,982</u></u>
Lease liabilities - current	168,221
Lease liabilities	<u>297,761</u>
	<u><u>465,982</u></u>

## ADVENT-AWI HOLDINGS INC.

### Notes to Condensed Interim Consolidated Financial Statements

#### For the three and nine months ended September 30, 2020 and 2019

(Unaudited, expressed in Canadian dollars)

#### 12. Loans payable

Loans payable are amounts due to minority shareholders of Adwell Financial Services Inc. The loans are not expected to be repaid in the current fiscal year and are non-interest bearing.

#### 13. Government loan

During the year, the Company applied for the Canada Emergency Business Account (CEBA) loan, which is a government loan with the purpose of assisting businesses that are affected by COVID-19. The loan is interest free upon the condition that 75% of the loan is repaid before December 31, 2022. The remaining 25% (\$10,000) may be forgiven. If this condition is not met, the loan will be extended to December 31, 2025 at an interest rate of 5%.

#### 14. Share capital

Authorized

100,000,000 common shares without par value

Issued and outstanding

	Number of shares	Amount \$
Balance - December 31, 2019 and September 30, 2020	<u>11,935,513</u>	<u>4,274,676</u>

The Company manages its capital through quarterly board of directors' meetings and regular review of financial information to ensure sufficient resources are available to meet day-to-day operational requirements.

The Company's objectives when managing capital are:

- a) To provide a reasonable return to the shareholders by pricing the products and services commensurately with the level of risk.
- b) To safeguard the capital of excess funds on hand by investing with reputable financial institutions for a reasonable return.

Total capital is calculated as follows:

	Sept. 30, 2020	Sept. 30, 2019
	\$	\$
Share capital	4,274,676	4,274,676
Contributed surplus	623,971	623,971
Retained earnings	12,682,317	13,478,674
Non-controlling interests	<u>48,031</u>	<u>(3,208)</u>
	<u>17,628,995</u>	<u>18,374,113</u>

The Company is not subject to any externally imposed capital requirements.

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

**15. General and administration expenses**

General and administration expenses consist of the following:

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Bank service charges	16,684	35,822	43,176	79,330
General and office expenses	(43,588)	34,622	92,682	151,975
Insurance	12,407	14,548	56,949	55,127
Interest	3,250	1,148	8,466	3,861
Professional fees	213,070	46,528	380,251	142,367
Rent and occupancy costs	2,677	52,323	75,497	225,939
Salary and payroll costs	414,865	512,962	936,821	1,604,067
Telephone expenses	<u>6,873</u>	<u>10,338</u>	<u>22,592</u>	<u>27,085</u>
	<u>626,238</u>	<u>708,291</u>	<u>1,616,434</u>	<u>2,289,751</u>

**16. Income taxes**

Components of the provision for income taxes are as follows:

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current income tax expense	(21,097)	70,256	324,583	264,918
Deferred income tax expense (recovery)	<u>3,097</u>	<u>(1,256)</u>	<u>10,417</u>	<u>9,082</u>
Provision for income taxes	<u>(18,000)</u>	<u>69,000</u>	<u>335,000</u>	<u>274,000</u>

**17. Stock options**

The Company has a stock option plan (the "Plan") that was approved by the shareholders on June 24, 2011. It allows the Company to grant up to 10% of the issued and outstanding common shares at the time of the grant. Under the Plan, a total of 1,193,551 common shares have been reserved for the grant of options.

The Company has not issued any stock options to the directors and employees of the Company in the current year. As at September 30, 2020 and September 30, 2019, the Company had no options outstanding.

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

**18. Earnings (loss) per share**

	<b>3 months ended Sept. 30</b>		<b>9 months ended Sept. 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net earnings (loss) applicable to common shares	<u>(32,082)</u>	<u>208,106</u>	<u>982,849</u>	<u>784,734</u>
Basic and diluted weighted average number of common shares outstanding	<u>11,935,513</u>	<u>11,935,513</u>	<u>11,935,513</u>	<u>11,935,513</u>
Basic and diluted earnings (loss) per share	<u>(0.003)</u>	<u>0.017</u>	<u>0.082</u>	<u>0.066</u>

Basic earnings (loss) per share is based on the earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding. Diluted earnings (loss) per share is equal to basic earnings (loss) per share as there were no dilutive instruments outstanding in the three and nine-month periods ended September 30, 2020 and September 30, 2019.

**19. Commitments**

The table below shows the future minimum payments under leases as at September 30, 2020:

	<b>\$</b>
2020 remaining	42,953
2021	181,470
2022	160,147
2023	<u>107,409</u>
	<u>491,979</u>

During the nine months ended September 30, 2020, the Company recognized a capital lease expense of \$136,607.

The Company had an operating line of credit for \$250,000, guaranteed by real property and bearing interest at prime rate plus 0.75%. As at September 30, 2020, the real property used to secure the line of credit was sold and the line of credit was cancelled.

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

**20. Financial instruments**

- a) The following table summarizes the carrying value of the Company's financial instruments, which approximates fair value:

<b>Financial instrument</b>	<b>Fair value hierarchy</b>	<b>IAS 39 Classification</b>	<b>IFRS 9 Classification Measurement</b>	<b>Sept. 30, 2020 \$</b>	<b>Sept. 30, 2019 \$</b>
Cash and cash equivalents	Level 2	Loans and receivables	Amortized cost using the effective interest method	8,950,739	10,032,257
Trade and other receivables	Level 2	Loans and receivables	Amortized cost using the effective interest method	711,200	686,679
Loans receivable	Level 2	Loans and receivables	Amortized cost using the effective interest method	2,840,063	2,033,191
Marketable securities	Level 2	Loans and receivables	Amortized cost using the effective interest method	4,245,642	5,238,000
Trade accounts payable and other payables and accrued liabilities	Level 2	Other financial liabilities	Amortized cost using the effective interest method	1,581,905	1,747,981
Loans payable	Level 2	Other financial liabilities	Amortized cost using the effective interest method	150,000	150,000

(Level 1) - Based on quoted market prices in active markets.

(Level 2) - Inputs, other than quoted prices in active markets, that are observable, either directly or indirectly.

(Level 3) - Unobservable inputs that are not corroborated by market data.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade accounts payable and other payables and accrued liabilities approximate fair values due to the relatively short period to maturity of the instruments. The fair value of the marketable securities as at September 30, 2020 is \$4,245,642 (2019 - \$5,238,000), respectively.

**b) Management of financial risk****i) Interest rate risk exposure**

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Company's financial assets and liabilities are non-interest bearing, except cash and cash equivalents, which bear a floating interest rate, and marketable securities, which are at fixed interest rate. Any fluctuation in the interest rate would not have a significant impact on the Company.

The term deposits earn interest at a fixed rate of approximately 0.80% to 1.58%, and the marketable securities earn interest at a fixed rate of 0.55%. Any fluctuation in the interest rate will not have a significant impact on the Company.

## ADVENT-AWI HOLDINGS INC.

### Notes to Condensed Interim Consolidated Financial Statements

#### For the three and nine months ended September 30, 2020 and 2019

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(Unaudited, expressed in Canadian dollars)

#### ii) Credit risk and economic dependence

Credit risk is the risk the Company will incur a loss due to the failure by its customers or other parties to meet their contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and trade receivables. The Company limits its exposure to credit risk by placing its cash and cash equivalents and marketable securities with high credit quality financial institutions.

The Company has a high concentration of credit risk as approximately 82% of the trade receivables as at September 30, 2020 (2019 - 83%) were owed by one customer, Rogers Communications Inc. For the three-month period ended September 30, 2020, approximately 95% (2019 - 84%) of the Company's gross revenue was from this customer. Based on historical default rates and the credit quality of this customer, no provisions have been recorded and no collateral is requested for the Company's trade receivables. The agreement with this customer expires on June 30, 2023.

The carrying amount of financial assets represents the maximum credit exposure.

#### iii) Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its obligations as they fall due. All of the Company's financial liabilities are due within 12 months from September 30, 2020.

It is the Company's intention to meet these obligations through the collection of trade receivables, current cash and cash equivalents and marketable securities resources.

## 21. Related party transactions

### Compensation of key management personnel

Key management personnel comprise the Company's board of directors and executive officers. Key management compensation includes directors' fees, salaries and performance based compensation. Total compensation is as follows:

	3 months ended Sept. 30		9 months ended Sept. 30	
	2020	2019	2020	2019
Salaries and other benefits	\$ <u>267,515</u>	\$ <u>170,915</u>	\$ <u>561,415</u>	\$ <u>641,515</u>

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

**22. Seasonality of results**

Revenues vary by quarter due to the seasonality of the retail industry. Retail sales are traditionally higher in the third and fourth quarters due to the back-to-school period and the holiday season. In addition, first quarter earnings are usually reduced by post-holiday season sales promotions. Variable costs can be adjusted to match the revenue pattern, but costs such as occupancy are fixed, leading the Company to report a higher level of earnings in the third and fourth quarters. This business seasonality results in quarterly performance that is not necessarily indicative of the year's performance.

**23. Segmented information**

The Company operates in three industry segments. It provides personal communications products and services to consumers in Canada (Wireless Business), lends money to individuals (Financing Business) and provides digital health products and services to consumers and health care providers in Hong Kong and Macau (Digital Health Business).

Condensed interim consolidated statements of financial position information by reportable segment as at September 30, 2020 was as follows:

	<b>Wireless Business</b>	<b>Digital Health Business</b>	<b>Financing Business</b>	<b>Total</b>
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	8,749,113	30,764	170,862	8,950,739
Trade and other receivables	584,632	-	126,568	711,200
Inventories	105,748	-	-	105,748
Marketable securities	4,245,642	-	-	4,245,642
Loans receivable - current	-	-	2,055,618	2,055,618
Prepaid and deposits - current	11,713	501,719	-	513,432
	<u>13,696,848</u>	<u>532,483</u>	<u>2,353,048</u>	<u>16,582,379</u>
<b>Non-current assets</b>				
Loans receivable	-	-	784,445	784,445
Prepaid and deposits	2,079	-	45,195	47,274
Other assets	-	500,000	-	500,000
Right-of-use assets	459,234	-	-	459,234
Property, plant and equipment	524,312	4,549	4,621	533,482
Investment properties	975,909	-	-	975,909
Deferred income tax assets	104,367	-	28,800	133,167
	<u>2,065,901</u>	<u>504,549</u>	<u>863,061</u>	<u>3,433,511</u>
<b>Total assets</b>	<u>15,762,749</u>	<u>1,037,032</u>	<u>3,216,109</u>	<u>20,015,890</u>

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

	<b>Wireless Business \$</b>	<b>Digital Health Business \$</b>	<b>Financing Business \$</b>	<b>Total \$</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade accounts payable	643,461	-	246,304	889,765
Other payables and accrued liabilities	692,140	-	-	692,140
Government remittances payable	38,033	-	-	38,033
Tenant deposits	17,000	-	-	17,000
Lease liabilities - current	168,221	-	-	168,221
Income tax payable	<u>84,612</u>	<u>-</u>	<u>9,363</u>	<u>93,975</u>
	<u>1,643,467</u>	<u>-</u>	<u>255,667</u>	<u>1,899,134</u>
<b>Non-current liabilities</b>				
Loan from government	40,000	-	-	40,000
Lease liabilities	297,761	-	-	297,761
Loans payable	-	-	150,000	150,000
Due to related parties	<u>(3,874,030)</u>	<u>1,224,030</u>	<u>2,650,000</u>	<u>-</u>
	<u>(3,536,269)</u>	<u>1,224,030</u>	<u>2,800,000</u>	<u>487,761</u>
<b>Total liabilities</b>	<u>(1,892,802)</u>	<u>1,224,030</u>	<u>3,055,667</u>	<u>2,386,895</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>				
Share capital	4,274,576	-	100	4,274,676
Contributed surplus	623,971	-	-	623,971
Retained earnings (deficit)	<u>12,708,973</u>	<u>(186,998)</u>	<u>160,342</u>	<u>12,682,317</u>
<b>Capital attributable to shareholders of Advent-AWI Holdings Inc.</b>	17,607,520	(186,998)	160,442	17,580,964
<b>Non-controlling interests</b>	<u>48,031</u>	<u>-</u>	<u>-</u>	<u>48,031</u>
<b>Total equity (deficiency)</b>	<u>17,655,551</u>	<u>(186,998)</u>	<u>160,442</u>	<u>17,628,995</u>
<b>Total liabilities and shareholders' equity</b>	<u>15,762,749</u>	<u>1,037,032</u>	<u>3,216,109</u>	<u>20,015,890</u>

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

Condensed interim consolidated statements of income (loss) and comprehensive income (loss) information by reportable segment for the three and nine months ended September 30, 2020 was as follows:

	<b>3 months ended Sept. 30, 2020</b>			
	<b>Wireless Business \$</b>	<b>Digital Health Business \$</b>	<b>Financing Business \$</b>	<b>Total \$</b>
<b>Revenue</b>	1,069,803	-	142,166	1,211,969
<b>Cost of sales</b>	<u>(584,716)</u>	<u>-</u>	<u>-</u>	<u>(584,716)</u>
<b>Gross profit</b>	<u>485,087</u>	<u>-</u>	<u>142,166</u>	<u>627,253</u>
<b>Expenses</b>				
General and administration	364,904	186,998	74,336	626,238
Advertisement and promotion	5,638	-	-	5,638
Depreciation - right-of-use assets	47,683	-	-	47,683
Amortization of property, plant and equipment	10,632	-	841	11,473
Amortization of investment properties	<u>8,972</u>	<u>-</u>	<u>-</u>	<u>8,972</u>
<b>Total expenses</b>	<u>437,829</u>	<u>186,998</u>	<u>75,177</u>	<u>700,004</u>
<b>Operating income (loss)</b>	<u>47,258</u>	<u>(186,998)</u>	<u>66,989</u>	<u>(72,751)</u>
<b>Investment income</b>				
Rental income	13,689	-	-	13,689
Interest income	<u>8,980</u>	<u>-</u>	<u>-</u>	<u>8,980</u>
	<u>22,669</u>	<u>-</u>	<u>-</u>	<u>22,669</u>
<b>Income from operations before income taxes</b>	<u>69,927</u>	<u>(186,998)</u>	<u>66,989</u>	<u>(50,082)</u>

**ADVENT-AWI HOLDINGS INC.****Notes to Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2020 and 2019**

(Unaudited, expressed in Canadian dollars)

	9 months ended Sept. 30, 2020			
	Wireless Business \$	Digital Health Business \$	Financing Business \$	Total \$
<b>Revenue</b>	2,152,934	-	497,568	2,650,502
<b>Cost of sales</b>	<u>(1,145,494)</u>	<u>-</u>	<u>-</u>	<u>(1,145,494)</u>
<b>Gross profit</b>	<u>1,007,440</u>	<u>-</u>	<u>497,568</u>	<u>1,505,008</u>
<b>Expenses</b>				
General and administration	1,136,982	186,998	292,454	1,616,434
Advertisement and promotion	14,298	-	-	14,298
Depreciation - right-of-use assets	132,599	-	-	132,599
Amortization of property, plant and equipment	32,602	-	2,525	35,127
Amortization of investment properties	<u>27,426</u>	<u>-</u>	<u>-</u>	<u>27,426</u>
<b>Total expenses</b>	<u>1,343,907</u>	<u>186,998</u>	<u>294,979</u>	<u>1,825,884</u>
<b>Operating income (loss)</b>	<u>(336,467)</u>	<u>(186,998)</u>	<u>202,589</u>	<u>(320,876)</u>
<b>Investment income</b>				
Rental income	51,840	-	-	51,840
Interest income	103,764	-	-	103,764
Gain on sale of assets	<u>1,483,121</u>	<u>-</u>	<u>-</u>	<u>1,483,121</u>
	<u>1,638,725</u>	<u>-</u>	<u>-</u>	<u>1,638,725</u>
<b>Income from operations before income taxes</b>	<u>1,302,258</u>	<u>(186,998)</u>	<u>202,589</u>	<u>1,317,849</u>

**24. Dividends paid**

Dividends amounting to \$1,790,327 (2019 - \$1,790,327) were paid on June 25, 2020.