

**NIKO SEMICONDUCTOR CO., LTD. AND
SUBSIDIARIES CONSOLIDATED FINANCIAL
STATEMENTS WITH REPORT OF
INDEPENDENT AUDITORS
FOR THE THREE-MONTH PERIODS
ENDED MARCH 31, 2020 AND 2019**

Address: 12th Floor, No. 368, Gongjian Road, Xizhi District, Xinbei City
Telephone: (02)2642-6789

For the convenience of readers and for information purposes only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of two versions, the original Chinese auditors' report and financial statement version shall prevail.

Independent Accountant's Review Report

The Board of Directors and Shareholders

Niko Semiconductor:

Foreword

We have audited the accompanying consolidated financial statement of Niko Semiconductor and its subsidiaries as of March 31, 2020 and 2019, and the consolidated statement of comprehensive income, changes in equity and cash flows, and the notes to the consolidated financial statement, including a summary of significant accounting policies from January 1 to March 31 of 2020 and 2019. According to the Guidelines for the Preparation of Financial Report by Securities Issuers and IAS No. 34 Interim Financial Report approved and issued by the financial supervision and regulation Commission. It is the management's responsibility to prepare a presentation of consolidated financial report, and the accountant's responsibility is to draw a conclusion on the consolidated financial report based on the audit results.

Scope

Except as stated in the basic paragraph of the reserved conclusion, we conducted our audit in accordance with the SAS No.65 Auditing of Financial Statements. The procedures for reviewing consolidated financial reports include inquiry (mainly to personnel responsible for financial and accounting affairs), analytical procedures and other review procedures. As the scope of the reviewing work is obviously smaller than that of the auditing work, we may not be able to detect all the important matters that can be identified therefrom, and therefore cannot express the auditing opinions.

Basis for Opinion

As mentioned in note 4 (2) to the consolidated financial report, the non-significant subsidiaries listed in the aforementioned consolidated financial report are based on the financial reports of these invested companies that have not been reviewed by accountants during the same period. The total assets as of March 31, 2020 and 2019 were NT\$ 111,987 thousands and NT\$ 110,249 thousands respectively, accounting for 4.56% and 4.41% of the total consolidated assets respectively. The total liabilities were NT\$ 9,926 thousands and NT\$ 13,620 thousands respectively, accounting for 1.86% and 1.91% of the total consolidated liabilities respectively. The absolute value of the consolidated profit and loss from January 1 to March 31 in 2020 and 2019 were NT\$ 3,914 thousands and NT\$ 1,842 thousands respectively, accounting for 14.91% and 4.57% of the consolidated profit and loss respectively.

Reserved Conclusion

According to the results of our review, except that the financial reports of these invested companies mentioned in the basic paragraph of the reserved conclusion, if reviewed by us, may affect the consolidated financial reports, the aforementioned consolidated financial reports have been prepared in accordance with the Guidelines for the Preparation of Financial Reports by Securities Issuers and IAS No.34 Interim Financial Report approved by the Financial Supervisory Commission and issued in effect. The reports expressed fairly the consolidated financial position of Niko Semiconductor and its subsidiaries as of March 31, 2020 and 2019, and the consolidated financial performance and consolidated cash flow from January 1 to March 31, 2020 and 2019.

KPMG Taiwan
Wu, Mei-Pin
Yu, Chi-Lung
May 8, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Niko Semiconductor and Subsidiaries

Consolidated Balance Sheet

March 31, 2020, December 31 and March 31, 2019

Unit: NTS thousands

(The consolidated balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Assets		March 31, 2020		December 31, 2019		March 31, 2019		Liabilities and equity		March 31, 2020		December 31, 2019		March 31, 2019				
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%			
Current assets								Current liabilities										
1100	Cash and equivalent cash (Note 6(1))	\$	441,241	18	361,180	15	536,569	21	2170	Notes and accounts payable	\$	328,775	14	336,437	14	496,391	20	
1110	Financial assets measured at fair value through profits and losses - Current(Note 6(2))		656	-	7,676	-	74	-	2180	Accounts payable-Related parties (Note 7)		5,475	-	14,780	1	38,423	1	
1170	Net accounts receivable(Note 6(3))		897,255	36	1,032,597	42	756,672	30	2200	Expenses payable and other accounts payable (Note 7)		129,219	6	142,398	6	114,733	5	
1180	Accounts receivable – Net amount of Related parties(Note 6(3) and 7)		37,500	2	67,099	3	123,333	5	2230	Current income tax liabilities		54,189	2	47,658	2	45,016	2	
1200	Other receivables(Note 7)		19,238	1	14,056	-	25,074	1	2280	Lease liabilities - Current (Note 6(9))		2,680	-	2,680	-	2,737	-	
130X	Inventory (Note 6(4))		583,222	24	495,139	20	590,875	24	2300	Other current liabilities		1,855	-	4,886	-	753	-	
1470	Other current assets		4,150	-	2,397	-	2,625	-				522,193	22	548,839	23	698,053	28	
			1,983,262	81	1,980,144	80	2,035,222	81	Non-current liabilities:									
Non-current assets:										2580	Lease liabilities - Non-current (Note 6(9))		2,095	-	2,810	-	5,113	-
1550	Investments by equity method(Note 6(5))		66,395	3	65,276	3	62,165	3	2600	Other non-current liabilities		9,626	-	10,176	-	8,393	-	
1600	Property, plant and equipment (Note 6(6) and 8)		297,403	12	297,371	12	293,096	12	Total liabilities			533,914	22	561,825	23	711,559	28	
1755	Use Right assets (Note 6(7))		4,642	-	5,368	-	7,804	-	Equity attributable to the owner of the parent company:									
1760	Net Investment property (Note 6(8) and 8)		72,638	3	72,790	3	73,245	3	3110	Capital stock of common stock		612,515	25	612,515	25	612,515	25	
1780	Intangible assets		384	-	440	-	759	-	3200	Capital reserves		630,512	26	630,512	26	630,512	25	
1840	Deferred income tax assets		17,582	1	17,582	1	10,171	-	3310	Legal reserves		129,897	5	129,897	5	114,558	5	
1900	Other non-current assets(Note 9(4))		15,072	-	20,072	1	20,075	1	3320	Special reserves		1,850	-	1,850	-	1,351	-	
			474,116	19	478,899	20	467,315	19	3350	Undistributed earnings (Note 6(13))		552,651	22	526,038	21	433,205	17	
									3410	Exchange differences on the translation of foreign operating organizations		(3,961)	-	(3,594)	-	(1,163)	-	
Total assets		\$	2,457,378	100	2,459,043	100	2,502,537	100	Total equity			1,923,464	78	1,897,218	77	1,790,978	72	
									Total liabilities and equity		\$	2,457,378	100	2,459,043	100	2,502,537	100	

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

Niko Semiconductor and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three-month periods ended March 31, 2020 and 2019
(Reviewed, not audited)

Unit: NT\$ thousands

		For the three-month periods ended March 31,			
		2020		2019	
		Amount	%	Amount	%
4000	Operating income (Note 6(15) and 7)	\$ 504,976	100	603,758	100
5000	Operating costs (Note 6(4), (11), (16), 7 and 12)	394,535	78	472,215	78
	Gross operating profits	110,441	22	131,543	22
	Operating expenses (Note 6(3), (11), (16), 7 and 12):				
6100	Sales promotion expenses	19,711	4	22,185	4
6200	Management expenses	29,521	6	31,275	5
6300	Research and development expenses	30,414	6	29,985	5
6450	Expected credit impairment loss (Reversal benefit)	(180)	-	48	-
	Total operating expenses	79,466	16	83,493	14
	Net operating profits	30,975	6	48,050	8
	Non-operating income and expenditure :				
7010	Other income (Note 6(17) and 7)	998	-	366	-
7020	Other profit and loss (Note 6(17 and (18))	1,003	-	601	-
7050	Financial costs (Note 6(17))	(63)	-	(98)	-
7060	Share of interests of affiliated enterprises recognized by equity method (Note 6(5))	401	-	1,708	-
	Total non-operating income and expenditure	2,339	-	2,577	-
	Net profit before tax	33,314	6	50,627	8
7950	Minus: Income tax expenses (Note 6(12))	6,701	1	11,012	2
	Net profit	26,613	5	39,615	6
8300	Other comprehensive income:				
8360	Items that may be reclassified to profit and loss in subsequent periods				
8361	Exchange differences on the translation of financial statements of foreign operating organizations	(367)	-	687	-
8399	Income tax related to items that may be reclassified	-	-	-	-
	Total items that may be reclassified to profit and loss in subsequent periods	(367)	-	687	-
8300	Other comprehensive income	(367)	-	687	-
	Total comprehensive income	\$ 26,246	5	40,302	6
	Earnings per share (NTD) (Note 6(14))				
	Basic earnings per share (NTD)	\$	0.43		0.65
	Diluted earnings per share (NTD)	\$	0.42		0.63

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

Niko Semiconductor and Subsidiaries
Consolidated Statements of Changes in Equity
For the three-month periods ended March 31, 2020 and 2019
(Reviewed, not audited)

Unit: NT\$ thousands

	Equity attributable to owners of parent company					Exchange differences on the translation of foreign operating organizations	Total Equity
	Capital stock of common stock	Capital reserves	Legal reserves	Special reserves	Undistributed Earnings		
Balance on January 1, 2019	<u>\$ 612,515</u>	<u>630,512</u>	<u>114,558</u>	<u>1,351</u>	<u>393,590</u>	<u>(1,850)</u>	<u>1,750,676</u>
Net profit	-	-	-	-	39,615	-	39,615
Other comprehensive income	-	-	-	-	-	687	687
Total comprehensive income	-	-	-	-	39,615	687	40,302
Balance on March 31, 2019	<u>\$ 612,515</u>	<u>630,512</u>	<u>114,558</u>	<u>1,351</u>	<u>433,205</u>	<u>(1,163)</u>	<u>1,790,978</u>
Balance on January 1, 2020	<u>\$ 612,515</u>	<u>630,512</u>	<u>129,897</u>	<u>1,850</u>	<u>526,038</u>	<u>(3,594)</u>	<u>1,897,218</u>
Net profit	-	-	-	-	26,613	-	26,613
Other comprehensive income	-	-	-	-	-	(367)	(367)
Total comprehensive income	-	-	-	-	26,613	(367)	26,246
Balance on March 31, 2019	<u>\$ 612,515</u>	<u>630,512</u>	<u>129,897</u>	<u>1,850</u>	<u>552,651</u>	<u>(3,961)</u>	<u>1,923,464</u>

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

Niko Semiconductor and Subsidiaries
Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2020 and 2019
(Reviewed, not audited)

	Unit: NT\$ thousands	
	For the three-month periods ended March 31,	
	2020	2019
Cash flows of business activities:		
Current net profit before tax	\$ 33,314	50,627
Items of adjustment:		
Income expense loss item		
Depreciation expenses	5,403	3,710
Amortization expenses	52	163
Expected credit impairment loss (Reversal benefit)	(180)	48
Net loss of financial assets and liabilities by fair value through profit and loss	7,020	418
Interest expenses	63	98
Interest income	(16)	(48)
Share of interests of affiliated enterprises recognized by equity method	(401)	(1,708)
Other	5,636	5,586
Total income expense loss item	17,577	8,267
Changes in assets and liabilities related to operating activities:		
Accounts receivable	165,121	(59,171)
Other receivables	(5,182)	(9,323)
Inventory	(93,719)	(80,056)
Other current assets	(1,753)	(311)
Total net changes in assets related to operating activities	64,467	(148,861)
Notes payable	(25)	4,736
Accounts payable	(16,942)	20,202
Other payables	(13,601)	(9,306)
Other current liabilities	(3,031)	(1,090)
Net defined benefit liabilities	(550)	32
Total net changes in liabilities related to operating activities	(34,149)	14,574
Total net changes in assets and liabilities related to business activities	30,318	(134,287)
Total items of adjustment	47,895	(126,020)
Cash inflow (outflow) from operations	81,209	(75,393)
Collected interest	16	48
Paid interest	(63)	(98)
Paid income tax	(10)	(500)
Net cash inflow (outflow) from operating activities	81,152	(75,943)
Cash flows of investment activities:		
Property, plant and equipment	(4,646)	(5,979)
Decrease (Increase) in deposit	5,000	(10,000)
Net cash inflow (outflow) from investment activities	354	(15,979)
Cash flows from financing activities:		
Repayment of lease principal	(659)	(662)
Net cash outflow from financing activities	(659)	(662)
Impact of exchange rate changes on cash and equivalent cash	(786)	584
Current increase (Decrease) of cash and equivalent cash	80,061	(92,000)
Balance of cash and equivalent cash at the beginning of the period	361,180	628,569
Ending balance of cash and equivalent cash	\$ 441,241	536,569

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

Niko Semiconductor and Subsidiaries
Notes to Consolidated Financial Statements
For the three-month periods ended March 31, 2020 and 2019
(Unless otherwise specified, all amounts are in unit of NT\$ thousands)
(Reviewed, not audited)

I. Company evaluation

Niko Semiconductor Co., Ltd. (hereinafter referred to as the Company) was established with the approval of the Ministry of Economy on October 8, 1998. Its original name was Super GEM Co., Ltd. In April 2001, the Company changed its name to the existing name and registered at 12th floor, No.368, Gongjian Road, Xizhi District, Xinbei City. The Company and its subsidiaries' main business are the research, development, design and sales of analog IC that can be applied to communications, computers, computer peripherals, video, power supply and other consumer products. Please refer to Note 14 for details. The Company's shares have been listed and traded on Taiwan OTC since August 2007.

II. Date and Procedure of Adoption of Financial Report

The consolidated financial report was approved and released by the Board of Directors on May 8, 2020.

III. Application of newly issued and revised standards and interpretations

- (I) The impact of the newly issued and revised standards and interpretations approved by Financial Supervisory Commission

The merged company has fully adopted the IFRS approved by the Financial Supervisory Commission (hereinafter referred to as the FSC) and effective in 2020 to prepare consolidated financial reports. Relevant newly issued, amended and revised standards and interpretations are listed as follows:

<u>Newly issued/amended/revised standards and interpretations</u>	<u>Effective date of issuance by IAS</u>
IFRS 3 Definition of business	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7- Changes in interest rate indicators	January 1, 2020
Amendments to IAS 1 and IAS 8 - Definition of significant	January 1, 2020

The application of the newly approved IFRS will not cause significant changes to the consolidated financial report.

- (II) Newly issued and revised standards and interpretations not yet recognized by the FSC

The following table summarizes the standards and interpretations issued and revised by the International Accounting Standards Board (hereinafter referred to as IAS) but not yet approved by the FSC:

<u>Newly issued/amended/revised standards and interpretations</u>	<u>Effective date of issuance by IAS</u>
Amendments to IFRS 10 and IAS 28 Sale or investment of assets between investors and their affiliated enterprises or joint ventures	To be decided by IAS.
IFRS 17 Insurance contracts	January 1, 2021
Amendments to IAS 1 Classify liabilities as current or non-current	January 1, 2022

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

Possible stakeholders of the merged company are as follows:

Issue date	Newly issued or revised	Major amendments
	standards	
January 23, 2020	Amendments to IAS 1 Classify liabilities as current or non-current	The amendment is to improve the consistency of application of the standards to assist enterprises in determining whether debts or other liabilities with uncertain liquidation date should be classified as current (due or likely to fall due within one year) or non-current on the balance sheet. The amendment also clarifies the classification of debts that an enterprise may convert into equity to settle.

The merged company is continuously evaluating the impact of the above standards and interpretations on the financial status and operating results of the merged company, and the related impact will be disclosed when the evaluation is completed.

IV. Summary of Major Accounting Policies

(I) Statement

The consolidated financial report is prepared in accordance with the securities issuer's financial report preparation standards (hereinafter referred to as Standards) and the IAS No. 34 Interim Financial Report approved and issued by the FSC. This consolidated financial report does not include all necessary information to be disclosed in the entire annual consolidated financial report prepared in accordance with the IFRS, IAS, and Interpretation and Interpretation Announcement approved and issued by the FSC (hereinafter referred to as IFRS recognized by the FSC).

Except for the following, the major accounting policies adopted in this consolidated financial report are the same as those in the consolidated financial report of 2019. For relevant information, please refer to Note 4 to the consolidated financial report of 2019.

(II) Consolidated basis

Subsidiaries included in consolidated financial report

Subsidiaries included in this consolidated financial report include:

Name of investment company	Name of subsidiary company	Nature of business	Holding equity percentage			Explanation
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	Jinrong Investment Co., Ltd. (Jinrong Investment)	Holding company	100%	100%	100%	Note
The Company	Power Up Tech Co., Ltd. (Power Up)	Holding company	100%	100%	100%	Note
Power Up	Wuxi Super GEM Microelectronics Co., Ltd. (Wuxi Super GEM)	Metal oxide semiconductor manufacturing, development and sales business, product quality monitoring and testing services; Selling self-produced products	100%	100%	100%	Note

Note: Non-significant subsidiary, and its financial report has not been reviewed by the accountant.

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

(III) Tax

The merged company measures and discloses the tax expenses for the interim period in accordance with paragraph B12 of IAS No.34 Interim Financial Report.

Tax expense is measured by multiplying the net profit before tax for the reporting period by the management's best estimate of the expected effective tax rate for the whole year and is fully recognized as tax expense for the current period.

Where tax expenses are recognized directly in equity items or other comprehensive profit and loss items, the temporary difference between the carrying amount of related assets and liabilities for financial reporting purposes and their tax basis is measured by the applicable tax rate when expected to be realized or settled.

(IV) Employee benefits

The defined welfare plan pension for the interim period is calculated on the basis of the actuarial determination of the pension cost rate on the reporting date of the previous fiscal year from the beginning of the year to the end of the current period, and adjusted for major market fluctuations, major reductions, liquidations or other major one-off events after the reporting date.

V. Major Sources of Uncertainty in Major Accounting Judgments, Estimates and Assumptions

Management must make judgments, estimates and assumptions when preparing this consolidated financial report in accordance with the preparation standards and IAS No.34 Interim Financial Report recognized by the FSC, which will affect the adoption of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

When preparing the consolidated financial report, the major judgment and the main source of estimation uncertainty made by the management when adopting the accounting policies of the merged company are consistent with Note 5 to the consolidated financial report of 2019.

VI. Description of Important Accounting Items

Except for the following, there is no significant difference between the description of important accounting items in this consolidated financial report and the consolidated financial report of 2019. For relevant information, please refer to Note 6 to the consolidated financial report of 2019.

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

(I) Cash and equivalent cash

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand and petty cash	\$ 440	337	328
Checks and demand deposits	440,801	360,843	536,241
	<u>\$ 441,241</u>	<u>361,180</u>	<u>536,569</u>

Please refer to Note 6 (18) for interest rate risk and sensitivity analysis of financial assets and liabilities of the merged company.

(II) Financial assets measured at fair value through profit or loss

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Non-hedging derivative instruments			
Exchange transaction contract	<u>\$ 656</u>	<u>7,676</u>	<u>74</u>

As at March 31, 2020 and December 31 and March 31 of 2019, the details of derivative instruments of financial assets held for trading due to the non-application of hedge accounting are as follows:

<u>March 31, 2020</u>			
<u>Derivative financial commodities</u>	<u>Nominal principal (NT\$ thousands)</u>	<u>Maturity date</u>	<u>Delivery rate</u>
Exchange transaction contract-NT\$ in/US\$ out	US\$ 15,130	April 10, 2020~April 23, 2020	30.010~30.248
Exchange transaction contract-US\$ in/NT\$ out	US\$ 12,120	April 6, 2020~April 30, 2020	29.931~30.228
<u>December 31, 2019</u>			
<u>Derivative financial commodities</u>	<u>Nominal principal (NT\$ thousands)</u>	<u>Maturity date</u>	<u>Delivery rate</u>
Exchange transaction contract-NT\$ in/US\$ out	US\$ 31,150	January 3, 2020~January 22, 2020	30.164~30.488
Exchange transaction contract-US\$ in/NT\$ out	US\$ 6,190	January 30, 2020~January 31, 2020	30.080~30.433
<u>March 31, 2019</u>			
<u>Derivative financial commodities</u>	<u>Nominal principal (NT\$ thousands)</u>	<u>Maturity date</u>	<u>Delivery rate</u>
Exchange transaction contract-NT\$ in/US\$ out	US\$ 5,880	April 25, 2019~April 29, 2019	30.791~30.807

2. Please refer to Note 6 (18) for details of credit, currency and interest rate exposures related to the above financial instruments.

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

(III) Notes receivable and accounts receivable (including related parties)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable	\$ 898,277	1,033,739	757,524
Accounts receivable-Related parties	37,575	67,234	123,580
Less: allowance for losses	<u>(1,097)</u>	<u>(1,277)</u>	<u>(1,099)</u>
	<u>\$ 934,755</u>	<u>1,099,696</u>	<u>880,005</u>

The merged company adopts a simplified approach to estimate the expected credit loss for all Notes receivable and accounts receivable, i.e. using the expected credit loss during the duration. For this measurement purpose, these Notes receivable and accounts receivable are grouped according to the common credit risk characteristics representing the customer's ability to pay all due amounts in accordance with the terms of the contract, and have incorporated forward-looking information, including overall economic and related industry information. An analysis of the expected credit losses of the merged company's bills and accounts receivable is as follows:

	<u>March 31, 2020</u>		
	<u>Book amount of accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Expected credit loss during allowance duration</u>
Not overdue	\$ 933,475	0.1%~0.2%	1,069
1~30 days overdue	2,377	1%~2%	28
31~90 days overdue	-	10%~50%	-
91~180 days overdue	-	50%~70%	-
181~360 days overdue	<u>-</u>	100%	<u>-</u>
	<u>\$ 935,852</u>		<u>1,097</u>

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

December 31, 2019			
	Book amount of accounts receivable	Weighted average expected credit loss rate	Expected credit loss during allowance duration
Not overdue	\$ 1,096,264	0.1%~0.2%	1,229
1~30 days overdue	4,709	1%~2%	48
31~90 days overdue	-	10%~50%	-
91~180 days overdue	-	50%~70%	-
181~360 days overdue	-	100%	-
	<u>\$ 1,100,973</u>		<u>1,277</u>

March 31, 2019			
	Book amount of accounts receivable	Weighted average expected credit loss rate	Expected credit loss during allowance duration
Not overdue	\$ 877,800	0.1%~0.2%	1,066
1~30 days overdue	3,303	1%~2%	33
31~90 days overdue	1	10%~50%	-
91~180 days overdue	-	50%~70%	-
181~360 days overdue	-	100%	-
	<u>\$ 881,104</u>		<u>1,099</u>

The statement of changes in allowance losses for Notes receivable and accounts receivable of the merged company is as follows:

	For the three-month periods ended March 31,	
	2020	2019
Balance at beginning of period	\$ 1,277	1,051
Impairment losses recognized (reversed)	(180)	48
Balance at end of period	<u>\$ 1,097</u>	<u>1,099</u>

The above financial assets are not provided as collateral.

(IV) Inventory

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 63,724	57,685	78,511
In-process and semi-finished products	279,011	254,750	284,967
Finished products and commodity	240,487	182,704	227,397
	<u>\$ 583,222</u>	<u>495,139</u>	<u>590,875</u>

In addition to the cost of inventory sold, the composition of inventory-related expenses and losses recognized as cost of goods sold by the Company is as follows:

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

	For the three-month periods ended March 31,	
	2020	2019
Inventory depreciation and obsolescence loss	\$ <u>5,636</u>	<u>5,586</u>

As of March 31, 2020 and 2019, the inventory of the merged company has not been provided as pledge guarantee.

(V) Investments using equity method

The investments of the merged company using the equity method on the reporting date are listed as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Associated enterprise	\$ <u>66,395</u>	<u>65,276</u>	<u>62,165</u>

The profits and losses of affiliated enterprises enjoyed by the merged company are listed as follows:

	For the three-month periods ended March 31,	
	2020	2019
Share of profit of related venture using equity method	\$ <u>401</u>	<u>1,708</u>

As of March 31, 2020, December 31 and March 31 of 2019, the investment of the merged company using the equity method has not been provided as pledge guarantee.

The merged company does not have any contingent liabilities arising from the joint undertaking of the related enterprise with other investors or the individual liability for the liabilities of the related enterprise.

The ability of related enterprises of the merged company to transfer funds to the merged company is not significantly limited.

(VI) Property, plant and equipment

Details of changes in costs and depreciation of the merged company's property, plant and equipment from January 1 to March 31 of 2020 and 2019 are as follows:

	Land	Houses and building	Office equipment and other	Equipment to be inspected	Total
Costs:					
Balance on January 1, 2020	\$ 161,823	126,765	72,172	100	360,860
Increase	-	1,065	3,581	-	4,646
Reclassified into (out)	-	-	100	(100)	-
Impact of exchange rate changes	-	(31)	(197)	-	(228)
Balance on March 31, 2020	\$ <u>161,823</u>	<u>127,799</u>	<u>75,656</u>	<u>-</u>	<u>365,278</u>
Balance on January 1, 2019	\$ 193,743	144,910	46,475	10,460	395,588
Increase	-	-	468	5,511	5,979
Reclassified into (out)	-	-	84	(84)	-
Reclassified from investing property	(31,920)	(20,547)	-	-	(52,467)
Disposal	-	-	(1,990)	-	(1,990)
Impact of exchange rate changes	-	68	423	-	491
Balance on March 31, 2019	\$ <u>161,823</u>	<u>124,431</u>	<u>45,460</u>	<u>15,887</u>	<u>347,601</u>

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

	Land	Houses and building	Office equipment and other	Equipment to be inspected	Total
Accumulated depreciation:					
Balance on January 1, 2020	\$ -	35,538	27,951	-	63,489
Depreciation this year	-	1,602	2,977	-	4,579
Impact of exchange rate changes	-	(30)	(163)	-	(193)
Balance on March 31, 2020	<u>\$ -</u>	<u>37,110</u>	<u>30,765</u>	<u>-</u>	<u>67,875</u>
Balance on January 1, 2019	\$ -	33,864	23,107	-	56,971
Depreciation this year	-	1,315	1,537	-	2,852
Reclassified from investing property	-	(3,728)	-	-	(3,728)
Disposal	-	-	(1,990)	-	(1,990)
Impact of exchange rate changes	-	65	335	-	400
Balance on March 31, 2019	<u>\$ -</u>	<u>31,516</u>	<u>22,989</u>	<u>-</u>	<u>54,505</u>
Book amount:					
January 1, 2020	<u>\$ 161,823</u>	<u>91,227</u>	<u>44,221</u>	<u>100</u>	<u>297,371</u>
March 31, 2020	<u>\$ 161,823</u>	<u>90,689</u>	<u>44,891</u>	<u>-</u>	<u>297,403</u>
January 1, 2019	<u>\$ 193,743</u>	<u>111,046</u>	<u>23,368</u>	<u>10,460</u>	<u>338,617</u>
March 31, 2019	<u>\$ 161,823</u>	<u>92,915</u>	<u>22,471</u>	<u>15,887</u>	<u>293,096</u>

1. The merged company reclassified the property into investing property based on the book value at the time of change of use due to the increase in the number of leased office space in the first quarter of 2019. Please refer to Note 6 (8).
2. As of March 31, 2020 and December 31 and March 31 of 2019, the property, plant and equipment of the merged company have been used as bank loan and financing limit guarantees. Please refer to Note 8 for details.

(VII) Right-of-use assets

Details of the cost and depreciation of the leased offices and staff quarters of the merged company are as follows:

	Houses and buildings
Costs of right-of-use assets	
Balance on January 1, 2020	\$ 7,967
Impact of exchange rate changes	(93)
Balance on March 31, 2020	<u>\$ 7,874</u>
Balance on January 1, 2019	\$ 8,313
Impact of exchange rate changes	201
Balance on March 31, 2019	<u>\$ 8,514</u>
Depreciation and impairment losses of right-of-use assets:	
Balance on January 1, 2020	\$ 2,599
Depreciation in current period	672
Impact of exchange rate changes	(39)
Balance on March 31, 2020	<u>\$ 3,232</u>

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

	Houses and buildings
Balance on January 1, 2019	\$ -
Depreciation in current period	707
Impact of exchange rate changes	<u>3</u>
Balance on March 31, 2019	<u>\$ 710</u>
Book amount:	
March 31, 2020	<u>\$ 4,642</u>
March 31, 2019	<u>\$ 7,804</u>

(VIII) Investing property

Investing property is an office building leased to a third party by a merged company under operating lease. The original irrevocable period for leased investing property is one to three years. Rental income of leased investing property is a fixed amount. Please refer to Note 6 (10) for relevant information.

	Land	Houses and building	Total
Costs:			
Balance on January 1, 2020	\$ 48,068	30,941	79,009
Balance on March 31, 2020	<u>\$ 48,068</u>	<u>30,941</u>	<u>79,009</u>
Balance on January 1, 2019	\$ 16,148	10,393	26,541
Transfer from property, plant and equipment	<u>31,920</u>	<u>20,547</u>	<u>52,467</u>
Balance on March 31, 2019	<u>\$ 48,068</u>	<u>30,940</u>	<u>79,008</u>
Accumulated depreciation:			
Balance on January 1, 2020	\$ -	6,219	6,219
Depreciation this year	<u>-</u>	<u>152</u>	<u>152</u>
Balance on March 31, 2020	<u>\$ -</u>	<u>6,371</u>	<u>6,371</u>
Balance on January 1, 2019	\$ -	1,884	1,884
Depreciation this year	<u>-</u>	<u>151</u>	<u>151</u>
Transfer from property, plant and equipment	<u>-</u>	<u>3,728</u>	<u>3,728</u>
Balance on March 31, 2019	<u>\$ -</u>	<u>5,763</u>	<u>5,763</u>
Book amount:			
Balance on January 1, 2020	\$ 48,068	24,722	72,790
Balance on March 31, 2020	<u>\$ 48,068</u>	<u>24,570</u>	<u>72,638</u>
Balance on January 1, 2019	\$ 16,148	8,509	24,657
Balance on March 31, 2019	<u>\$ 48,068</u>	<u>25,177</u>	<u>73,245</u>
Fair value:			
Balance on March 31, 2020		<u>\$ 130,112</u>	
Balance on March 31, 2019		<u>\$ 131,255</u>	

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

1. Investing property is owned assets held by the merged company.
2. Please refer to Note 6 (6) for instructions on the transfer of property, plant and equipment into investing property of the merged company.
3. As of March 31, 2020 and December 31 and March 31 of 2019, the investing property of the merged company has been used as a guarantee for the financing amount. Please refer to Note 8 for details.
4. There is no significant difference between the fair value of the investing property of the merged company and the information disclosed in Note 6 (8) of the consolidated financial report of 2019.

(IX) Lease liabilities

The leasing liabilities of the merged company are as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Current	<u>\$ 2,680</u>	<u>2,680</u>	<u>2,737</u>
Non-current	<u>\$ 2,095</u>	<u>2,810</u>	<u>5,113</u>

For maturity analysis, please refer to Note 6 (18) Financial Instruments.

The amounts recognized in profit or loss are as follows:

	For the three-month periods ended March 31,	
	2020	2019
Interest expense on lease liabilities	<u>\$ 63</u>	<u>98</u>
Rental charges for short-term leases and low-value assets	<u>\$ 150</u>	<u>136</u>

The amounts recognized in the statement of cash flows are as follows:

	For the three-month periods ended March 31,	
	2020	2019
Rental payments for business activities	\$ (150)	(136)
Interest payments on lease liabilities for business activities	(63)	(98)
Repayment of lease principal for financing activities	(659)	(662)
Total cash outflow from leases	<u>\$ (872)</u>	<u>(896)</u>

1. Lease of land, houses and buildings

The merged company leased the land, houses and buildings as office space and staff quarters on March 31, 2020 with a lease period of normally three years.

2. Other leases

The lease period of office equipment and parking space leased by the merged company is one to five years, and these leases are short-term or low-value target leases. The merged company chooses to apply the exemption provisions instead of recognizing its related right-of-use assets and lease liabilities.

(X) Operating lease

The merged company leases its investing property. Since almost all risks and rewards attached to the ownership of the underlying assets have not been transferred, these lease contracts are classified as operating leases. Please refer to Note 6 (8) for details of investing property.

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

An analysis of the expiration of lease payments to report the total amount of undiscounted lease payments received in the future is shown in the following table:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Less than 1 year	\$ 2,874	2,888	2,622
1 to 2 years	2,860	6,190	-
2 to 3 years	2,619	-	-
3 to 4 years	-	-	-
4 to 5 years	-	-	-
More than 5 years	-	-	-
Total undiscounted payments	<u>\$ 8,353</u>	<u>9,078</u>	<u>2,622</u>

(XI) Employee benefits

1. Determine the welfare plan

Since there were no major market fluctuations, major reductions, liquidations or other major one-off events after the end of the previous fiscal year, the merged company adopted the pension costs determined by actuarial calculations on December 31, 2019 and 2018 to measure and disclose the pension costs during the interim period.

	<u>For the three-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating costs	\$ 11	9
Selling expenses	8	6
Administrative expenses	89	73
Research and development expenses	11	9
	<u>\$ 119</u>	<u>97</u>

2. Determine the allocation plan

The Company's pension expenses have been transferred to the Labor Insurance Bureau under the confirmed pension transfer method. Other overseas subsidiaries included in the consolidated financial report are allocated and recognized as pension funds in accordance with local laws and regulations.

	<u>For the three-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating costs	\$427	536
Selling expenses	226	378
Administrative expenses	434	534
Research and development expenses	666	1,051
Total	<u>\$ 1,753</u>	<u>2,499</u>

(XII) Tax

1. Details of tax expenses of the merged company are as follows:

	<u>For the three-month periods ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Current tax expense	<u>\$ 6,701</u>	<u>11,012</u>

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

- The Company's tax (expenses) benefits under other comprehensive profit and loss have not been recognized in January 1 to March 31 of 2020 and 2019.
- The Company's profit-making enterprise tax settlement declaration has been approved by the tax collection authority until 2017.

(XIII) Capital and other rights and interests

Except for the following, there was no significant change in the capital and other rights and interests of the merged company between January 1 to March 31 of 2019 and 2020. For relevant information, please refer to Note 6 (13) of the consolidated financial report of 2019.

1. Retained earnings

According to the Articles of Association of the Company, if there is any surplus in the Company's annual total final accounts, taxes shall be paid first to make up for the accumulated losses. The next 10% shall be the legal reserve (but the legal reserve shall not be paid when it reaches the paid-in capital of the Company) and the rest shall be listed or reversed according to law. If there is any surplus, and the surplus shall be distributed cumulatively with the previous year, the Board of Directors shall draw up a surplus distribution proposal and submit it to the shareholders' meeting for resolution to distribute dividends and bonuses.

(2) Distribution of earnings

On March 20, 2020, the Board of Directors of the Company decided on the cash dividend amount of the surplus distribution plan for 2019 and on June 12, 2019, the Board of Shareholders decided on the surplus distribution plan for 2018. The dividends distributed to the owners are as follows:

	2019		2018	
	Share allotment rate (yuan)	Amount	Share allotment rate (yuan)	Amount
Dividends to ordinary owners:				
Cash	\$ 1.0	<u>61,252</u>	0.7	<u>42,876</u>

(XIV) Earnings per share

The calculation of the merged company's basic earnings per share and diluted earnings per share is as follows:

	For the three-month periods ended March 31,	
	2020	2019
Basic earnings per share:		
Current net profit attributable to the Company	<u>\$ 26,613</u>	<u>39,615</u>
Weighted average number of ordinary shares in circulation(thousand shares)	<u>61,252</u>	<u>61,252</u>
Earnings per share (yuan)	<u>\$ 0.43</u>	<u>0.65</u>

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

Dilute earnings per share:

Current net profit attributable to the Company	\$	<u>26,613</u>	<u>39,615</u>
Weighted average number of ordinary shares in circulation		<u>63,322</u>	<u>62,474</u>
Earnings per share (yuan)	\$	<u>0.42</u>	<u>0.63</u>

Weighted average number of ordinary shares in

circulation (thousand shares)(dilution):

Weighted average number of ordinary shares in circulation (basic)	61,252	61,252
Impact of employee stock remuneration	<u>2,070</u>	<u>1,222</u>
Weighted average number of ordinary shares in circulation (dilution)	<u>63,322</u>	<u>62,474</u>

(XV) Revenue from customer contracts

1. Breakdown of income

	For the three-month periods ended March 31,	
	2020	2019
Major regional markets:		
Taiwan	\$ 173,352	295,946
Mainland China	249,073	248,448
Other countries	<u>82,551</u>	<u>59,364</u>
	<u>\$ 504,976</u>	<u>603,758</u>
Main products:		
Power MOSFET	\$ 461,118	487,188
Power Management IC	17,035	68,949
Other	<u>26,823</u>	<u>47,621</u>
	<u>\$ 504,976</u>	<u>603,758</u>

2. Contract balance

	March 31, 2020	December 31, 2019	March 31, 2019
Notes and accounts receivable	\$ 935,852	1,100,973	881,104
Less: allowance for losses	<u>(1,097)</u>	<u>(1,277)</u>	<u>(1,099)</u>
Total	<u>\$ 934,755</u>	<u>1,099,696</u>	<u>880,005</u>

Please refer to Note 6 (3) for details of disclosure of Notes receivable, accounts receivable and their impairment.

(XVI) Remuneration of employees, directors and supervisors

According to the Articles of Association of the Company, if there is any profit in the

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

year, no less than 10% shall be allocated as employee remuneration and no more than 5% as supervisor remuneration. The remuneration of employees is decided by the Board of Directors to be distributed in stock or cash, and the target of distribution includes employees of subordinate companies who meet certain conditions. However, if the Company still has accumulated losses, it shall reserve the compensation amount in advance, and then allocate the employee remuneration and the supervisor remuneration according to the proportion mentioned in the preceding paragraph.

The estimated amounts of remuneration for employees of the Company in January 1 to March 31 of 2020 and 2019 were NT\$ 6,189 thousands and NT\$ 5,704 thousands respectively. The estimated amounts of remuneration for directors and supervisors were NT\$ 2,063 thousands and NT\$ 1,711 thousands respectively. This is based on the net profit before tax of the Company for the period before deducting the remuneration of employees, directors and supervisors multiplied by the remuneration of employees and directors and supervisors as stipulated in the Articles of Association of the Company. This is also reported as the operating cost or operating expenses for the period. If there is any difference between the actual distribution and the estimated amount for the next year, the change shall be treated according to the accounting estimation and recognized as the profit and loss for the next year.

The Company's estimated compensation for employees in 2019 and 2018 were NT\$ 46,622 thousands and NT\$ 36,111 thousands respectively, while the estimated compensation for directors and supervisors were NT\$ 15,541 thousands and NT\$ 12,037 thousands respectively, which was no difference from the actual distribution. Relevant information can be found at the Public Information Platform.

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

(XVII) Non-operating income and expenditure

1. Other income

Details of other income of the merged company are as follows:

	For the three-month periods ended March 31,	
	2020	2019
Other income	\$ 998	366

2. Other gains and losses

Details of other gains and losses of the merged company are as follows:

	For the three-month periods ended March 31,	
	2020	2019
Foreign currency exchange profit, net	\$ 565	681
Net profits (losses) of financial assets/liabilities at fair value through profit or loss	656	74
Other gains and losses	(218)	(154)
	\$ 1,003	601

3. Finance costs

Details of the finance costs of the merged company are as follows:

	For the three-month periods ended March 31,	
	2020	2019
Interest expense	\$ 63	98

(XVIII) Financial instruments

Except for the following, there is no significant change in the fair value of financial instruments of the merged company and the exposure to credit risk, liquidity risk and market risk due to financial instruments. Please refer to the note 6 (18) and (19) to the consolidated financial report for 2019 for relevant information.

1. Credit risk

Credit risk is the risk of financial losses incurred by the merged company due to the failure of customers or counterparties of financial instruments to fulfill their contractual obligations. It mainly comes from the accounts receivable from customers of the merged company.

On March 31, 2020 and December 31 and March 31 of 2019, the merged company received 53%, 50% and 56% of the total Notes receivable and accounts receivable from the top five sales customers respectively, thus causing the merged company to have a concentration of credit risks. In order to reduce credit risks, the merged company regularly and continuously evaluates the financial status of each of these customers and the recovery possibility of their accounts receivable. These customers have good profits and credit records in the past, and the merged company has not suffered any significant credit risk losses due to these customers during the reporting period.

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

2. Liquidity risk

The following table shows the contractual maturity of financial liabilities, including estimated interest but excluding the impact of net agreements.

	Book amount	Contracted cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
March 31, 2020							
Non-derivative financial liabilities							
Notes payable and accounts payable _ (including related parties)	\$ 334,250	334,250	334,250	-	-	-	-
Expenses payable and other accounts payable	60,754	60,754	60,754	-	-	-	-
Lease liabilities	4,775	4,987	1,425	1,425	2,137	-	-
	\$ 399,779	399,991	396,429	1,425	2,137	-	-
December 31, 2019							
Non-derivative financial liabilities							
Notes payable and accounts payable _ (including related parties)	\$ 351,217	351,217	351,217	-	-	-	-
Expenses payable and other accounts payable	48,799	48,799	48,799	-	-	-	-
Lease liabilities	5,490	5,765	1,441	1,441	2,883	-	-
	\$ 405,506	405,781	401,457	1,441	2,883	-	-
March 31, 2019							
Non-derivative financial liabilities							
Notes payable and accounts payable _ (including related parties)	\$ 534,814	534,814	534,814	-	-	-	-
Expenses payable and other accounts payable	42,814	42,814	42,814	-	-	-	-
Lease liabilities	7,850	8,389	1,525	1,525	3,051	2,288	-
	\$ 585,478	586,017	579,153	1,525	3,051	2,288	-

3. Market risk

(1) Exchange rate risk

The financial assets and liabilities of the merged company exposed to significant foreign currency exchange rate risks are as follows:

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

	March 31, 2020				December 31, 2019			March 31, 2019		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	36,729	30.225	1,110,137	39,259	29.980	1,176,973	39,034	30.820	1,203,043
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		11,524	30.225	348,317	12,112	29.980	363,117	16,997	30.820	523,857

The exchange rate risk of the merged company mainly comes from cash denominated in foreign currency and equivalent cash, accounts receivable and other receivables, loans, accounts payable, expenses payable and other payables, etc. Foreign currency exchange gains and losses are generated during conversion. On March 31, 2020 and 2019, when NT\$ depreciates or appreciates by 1% relative to US\$, while all other factors remain unchanged, the net profit before tax for January 1 to March 31 of 2020 and 2019 will increase or decrease by NT\$ 7,618 thousands and NT\$ 6,792 thousands respectively. The two phases of analysis adopt the same basis.

The exchange rate information for the conversion gains and losses (including realized and unrealized) of the monetary items of the merged company into the amount of functional currency and into the functional currency NT\$ (i.e. the expressive currency by the merged company) is as follows:

<u>Functional currency</u>	For the three-month periods ended March 31,			
	2020		2019	
	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
NTD	\$ (251)	1	1,085	1
RMB	816	4.310	(404)	4.565
	<u>\$ 565</u>		<u>681</u>	

(2) Interest rate risk

The merged company has not undertaken the debt with floating interest rate, while the financial assets with floating interest rate are bank deposits. The cash flow risk arising from changes in market interest rate is not significant after assessment, so sensitivity analysis has not been conducted.

4. Fair value information

(1) Types and fair value of financial instruments

The book value and fair value of the financial assets and financial liabilities of the merged company (including fair value grade information, but if the book value of financial instruments not measured by fair value is a reasonable approximation of fair value, fair value information need not be disclosed according to regulations) are shown as follows:

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

		March 31, 2020				
		Book amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - Current		<u>\$ 656</u>	<u>-</u>	<u>-</u>	<u>656</u>	<u>656</u>
Financial assets at amortized cost :						
Cash and equivalent cash	\$	441,241				
Notes receivable and accounts receivable _ (including related parties)		934,755				
Other accounts receivable		19,238				
Refundable deposits		<u>15,072</u>				
Total		<u>\$ 1,410,306</u>				
Financial liabilities at amortized cost :						
Notes payable and accounts payable _ (including related parties)	\$	334,250				
Expenses payable and other accounts payable		129,219				
Lease liabilities		<u>4,775</u>				
Total		<u>\$ 468,244</u>				

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

		December 31, 2019				
		Book amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss - Current		\$ 7,676	-	-	7,676	7,676
Financial assets at amortized cost :						
Cash and equivalent cash	\$	361,180				
Notes receivable and accounts receivable _ (including related parties)		1,099,696				
Other accounts receivable		14,056				
Refundable deposits		20,072				
Total		<u>\$ 1,495,004</u>				
Financial liabilities at amortized cost :						
Notes payable and accounts payable _ (including related parties)	\$	351,217				
Expenses payable and other accounts payable		142,398				
Lease liabilities		5,490				
Total		<u>\$ 499,105</u>				
		March 31, 2019				
		Book amount	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss - Current		\$ 74	-	-	74	74
Financial assets at amortized cost :						
Cash and equivalent cash	\$	536,569				
Notes receivable and accounts receivable _ (including related parties)		880,005				
Other accounts receivable		25,074				
Refundable deposits		20,075				
Total		<u>\$ 1,461,723</u>				
Financial liabilities at amortized cost :						
Notes payable and accounts payable _ (including related parties)	\$	534,814				
Expenses payable and other accounts payable		114,733				
Lease liabilities		7,850				
Total		<u>\$ 657,397</u>				

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

(2) Fair value evaluation technology for measuring financial instruments by fair value

Derivative financial instruments

The fair value of derivatives is calculated by public quotation. When a public quotation cannot be obtained, the fair value of the contract is calculated based on the spot exchange rate and the exchange points respectively on the respective expiration dates of the contract.

(3) There was no transfer of fair value hierarchy from January 1 to March 31 of 2020 and 2019.

(4) Schedule of Level 3 changes

	Financial assets (liabilities) at fair value through profit or loss
January 1, 2020	\$ 7,676
Purchase/disposal/settlement	(7,676)
Recognized in profit or loss	<u>656</u>
March 31, 2020	<u>\$ 656</u>
January 1, 2019	\$ 492
Purchase/disposal/settlement	(492)
Recognized in profit or loss	<u>74</u>
March 31, 2019	<u>\$ 74</u>

The above total benefits or losses are reported in series as Other profits and losses. Among them, the assets or liabilities held as at March 31, 2020 and 2019 are as follows:

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Total profits or losses		
Recognized in profit or loss (reported in Other profits and losses)	<u>\$ 656</u>	<u>74</u>

(5) Quantitative information on fair value measurement of significant unobservable input values (Level 3)

The fair value measurement of the merged company is classified into level 3 of financial assets and liabilities at fair value through profit or loss - derivative financial instruments. This source of fair value is a third party quotation, so it is not intended to disclose sensitivity analysis of significant unobservable input values.

(XIX) Financial risk management

The financial risk management objectives and policies of the merged company have not changed significantly from those disclosed in Note 6 (19) of the consolidated financial report

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

of 2019.

(XX) Capital management

The capital management objectives, policies and procedures of the merged company are consistent with those disclosed in the consolidated financial report of 2019. In addition, there is no significant change in the aggregate quantitative data of capital management items and those disclosed in the consolidated financial report of 2019. Please refer to note 6(20) to consolidated financial report of 2019 for relevant information.

(XXI) Changes in liabilities from financial activities

Adjustments to changes in liabilities from financial activities are shown in the following table:

	January 1, 2020	Cash flows	Changes of non-cash	March 31, 2020
Lease liabilities	\$ 5,490	(659)	(56)	4,775
Total liabilities from financial activities	<u>\$ 5,490</u>	<u>(659)</u>	<u>(56)</u>	<u>4,775</u>

	January 1, 2019	Cash flows	Changes of non-cash	March 31, 2019
Lease liabilities	\$ 8,313	(662)	199	7,850
Total liabilities from financial activities	<u>\$ 8,313</u>	<u>(662)</u>	<u>199</u>	<u>7,850</u>

VII. Related Party Transactions

(I) Name and relationship of related parties

During the period covered by this consolidated financial report, the following related parties had transactions with the merged company:

Name of related party	Relations with merged company
Super Group Semiconductor Co., Ltd. (Super Group Semiconductor)	Substantive parties
Cai Feng Investments Co., Ltd. (Cai Feng Investments)	"
Green Solution Technology Co., Ltd. (Green Solution Technology)	Associated enterprise
Wuxi U-NIKC Semiconductor Co., Ltd. (Wuxi U-NIKC Semiconductor)	"
Wuxi U-NIKC Semiconductor (Hong Kong) Co., Ltd. (Wuxi U-NIKC Semiconductor (Hong Kong))	"

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

(II) Main management personnel transactions

Remuneration for main management personnel includes:

	For the three-month periods ended March 31,	
	2020	2019
Short-term employee welfare	\$ 4,853	4,628
Post-retirement welfare	119	98
Resignation welfare	-	-
Other long-term welfare	-	-
Share-based payment	-	-
	<u>\$ 4,972</u>	<u>4,726</u>

(III) Major transactions with related parties

1. Sale to related parties

The merged company's sales amount to related parties and its outstanding balance are as follows:

	Sales		Accounts receivable from related parties		
	For the three-month periods ended March 31,		March 31,	December 31,	March 31,
	2020	2019	2020	2019	2019
Associated enterprises:					
Other associated enterprises	\$ 33,265	105,961	37,575	67,234	123,580
Less: allowance for losses	-	-	(75)	(135)	(247)
	<u>\$ 33,265</u>	<u>105,961</u>	<u>37,500</u>	<u>67,099</u>	<u>123,333</u>

There is no significant difference between the terms of sale of the merged company to its related parties and the general selling price. The payment terms for January 1 to March 31 of 2020 and 2019 are 90 days, while the average customer is about 30 days to 120 days .

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

2. Purchase from related parties

The purchase amount and outstanding balance of the merged company from related parties are as follows:

	Purchase		Notes and accounts payable		
	For the three-month periods ended March 31,		March 31,	December 31,	March 31,
	2020	2019	2020	2019	2019
Associated enterprises:					
Green Solution Technology	\$ 14,579	54,423	5,475	14,436	38,423
Other associated enterprises	-	-	-	344	-
	<u>\$ 14,579</u>	<u>54,423</u>	<u>5,475</u>	<u>14,780</u>	<u>38,423</u>

In order to provide customers with a complete power management plan, the merged company purchases customized products from related parties. There is no competitive purchase price of the products from the ordinary manufactures. The terms of payment for January 1 to March 31 of 2020 and 2019 are 30 days, while the terms of payment for ordinary manufacturers are about 30 to 90 days.

3. Purchase labor services from related parties

	Transaction amount		Expenses payable and other accounts payable		
	For the three-month periods ended March 31,		March 31,	December 31,	March 31,
	2020	2019	2020	2019	2019
Associated enterprises:					
Green Solution Technology - Research and development material fees	\$ -	237	-	-	-
Other related parties:					
Super Group Semiconductor - Product development project fees	3,400	5,300	6,700	4,300	5,565
Super Group Semiconductor - Product maintenance fees	392	578	123	179	310
Super Group Semiconductor - Product royalty fees	14,080	14,879	5,395	5,651	9,737
	<u>\$ 17,872</u>	<u>20,994</u>	<u>12,218</u>	<u>10,130</u>	<u>15,612</u>

As of March 31, 2020 and 2019, the new product development contracts and outsourcing design contracts signed by the merged company and its related parties have not yet been recognized due to the failure to reach the agreed development and design stage. Please refer to Note 9 for details.

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

4. Rental income

Rental income of the merged company arising from leasing offices to related parties is as follows:

	Transaction amount For the three-month periods ended March 31,		Other accounts receivable		
	2020	2019	March 31, 2020	December 31, 2019	March 31, 2019
Associated enterprises:					
Green Solution Technology	\$ 714	429	250	250	350
Other related parties:					
Other related parties	4	4	15	11	15
	<u>\$ 718</u>	<u>433</u>	<u>265</u>	<u>261</u>	<u>365</u>

VIII. Pledged Assets

Details of the book value of the assets provided by the merged company as collateral are as follows:

Assets name	Pledge object	March 31, 2020	December 31, 2019	March 31, 2019
Property, plant and equipment	Bank loan	\$ 144,182	144,182	144,182
— Land				
- Houses and buildings	"	73,566	74,021	75,386
Investing property - Land	"	48,068	48,068	48,068
- Houses and buildings	"	24,570	24,722	25,177
		<u>\$ 290,386</u>	<u>290,993</u>	<u>292,813</u>

IX. Major Contingent Liabilities and Unrecognized Contractual Commitments

(1) The amount of guarantee notes issued by the merged company to the supplier as guarantee for payment of the goods is as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Guaranteed bill	<u>\$ 10,000</u>	<u>10,000</u>	<u>15,000</u>

(II) The amount of guaranteed promissory notes issued by the merged company as a result of signing loan quotas and financial commodity trading quotas with financial institutions is as follows.

	March 31, 2020	December 31, 2019	March 31, 2019
Loan limit and financial commodities trading limit	<u>\$ 1,035,083</u>	<u>1,031,726</u>	<u>1,038,611</u>

(III) As of March 31, 2020 and December 31 and March 31 of 2019, the amounts of new product development contracts and outsourcing design contracts signed by the merged company that

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

have not yet reached the agreed development and design stage and have not yet applied to the merged company are NT\$ 34,500 thousands, NT\$ 33,900 thousands and NT\$ 35,800 thousands respectively; In addition, the merged company agreed in the new product development contract that when the product enters the mass production stage, it shall pay the royalty fee according to the relevant wafer purchase quantity and the agreed price.

(IV) The merged company signed a capacity guarantee purchase contract with the supplier on May 30, 2018, and due to the agreement on the minimum purchase amount, the deposit amount shall be paid. As of March 31, 2020 and December 31 and March 31 of 2019, the deposit amount has been NT\$ 15,000 thousands, NT\$ 20,000 thousands and NT\$ 20,000 thousands respectively.

X. Major disaster losses: None.

XI. Major post-date events: None.

XII. Other

The functions of employee benefits, depreciation, depletion and amortization expenses are summarized as follows:

Function Quality	For the three-month periods ended March 31, 2020			For the three-month periods ended March 31, 2019		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Staff welfare expenses						
Salary expense	9,596	39,309	48,905	9,548	39,515	49,063
Labor and health insurance expenses	899	2,220	3,119	947	2,353	3,300
Pension expenses	438	1,434	1,872	545	2,051	2,596
Other employee welfare expenses	550	1,387	1,937	587	1,490	2,077
Depreciation expense	1,871	3,532	5,403	1,406	2,153	3,559
Amortization expense	-	52	52	-	163	163

XIII. Note to disclosure

(I) Information on major transactions

Relevant information on major transactions to be disclosed by the merged company from January 1 to March 31 of 2020 in accordance with the preparation standards is as follows:

1. Loan of funds to others: None.
2. Endorsement and guarantee for others: None.

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

3. Holding of securities at the end of the period (excluding investment subsidiaries, affiliated enterprises and equity joint ventures): None.
4. Cumulative purchase or sale of the same securities amounts to NT\$ 300 million or more than 20% of the paid-in capital: None.
5. The amount of property acquired amounts to NT\$ 300 million or more than 20% of the paid-in capital: None.
6. The amount of property disposed of amounts to NT\$ 300 million or more than 20% of the paid-in capital: None.
7. Where the amount of purchases and sales to related parties amounts to NT\$100 million or more than 20% of the paid-in capital: None.
8. Receivables from related parties amount to NT\$ 100 million or more than 20% of paid-in capital: None.
9. Engaging in derivative transactions: Please refer to note 6 (2) for details.
10. Business relations and important transactions between parent and subsidiary companies:

No.	Name of trader	Transaction object	Relations with traders	Transaction from January 1 to March 31, 2020			
				Item	Amount	Transaction condition	Ratio to consolidated total operating income or total assets
0	The Company	Power Up Tech Co., Ltd.	Transactions between parent company and subsidiary	Operating costs	6,093	Before the 25th of the following month	1.21%
0	"	"	Transactions between parent company and subsidiary	Operating expenses	6,508	"	1.29%
0	"	"	Transactions between parent company and subsidiary	Expenses payable	2,581	"	0.11%
1	Power Up Tech Co. Ltd.	Wuxi Super GEM Microelectronics Co., Ltd.	Inter-subsidary transactions	Operating costs	12,420	"	2.46%
1	"	"	Inter-subsidary transactions	Expenses payable	2,551	"	0.10%

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

(II) Information related to reinvestment:

Information on the Company's reinvestments from January 1 to March 31 of 2020 is as follows (excluding mainland China invested companies):

Unit: NT\$ thousands/share

Investing company Name	Invested company Name	Area	Major business Item	Original investment amount		Final holding			Invested company Current profit and loss	Current recognized Investment profit and loss	Note
				At end of current period	End of last year	Shares	Ratio	Book amount			
The Company	Jinrong Investment Co., Ltd.	Taiwan	Holding company	51,000	51,000	5,100,000	100.00%	67,167	348	348	Note
"	Power Up Tech Co., Ltd.	Samoa	Holding company	30,744	30,744	1,930,000	100.00%	36,871	3,933	3,933	"
Jinrong Investment Co., Ltd.	Green Solution Technology Co., Ltd.	Taiwan	Manufacturing and Product Design of Electronic Components	48,875	48,875	4,511,514	15.04%	66,979	4,702	352	

Note: It has been written off when preparing the consolidated financial report.

(III) Information on Mainland China Investment:

1. Relevant information such as the name and main business items of the invested company in mainland China:

Unit: NT\$ thousands

Name of mainland Invested Company	Major business items	Paid-in capital	Investing mode	Accumulated investment amount remitted from Taiwan at beginning of current period	Amount of investment remitted or recovered in current period		Accumulated investment amount remitted from Taiwan at end of current period	Invested company Current profit and loss	Shareholding ratio of Company's direct or indirect investment	Investment profits and losses recognized for current period	Book value of final investment	Remitted back investment income as of end of current period
					remitted	recovered						
Wuxi Super GEM Microelectronics Co., Ltd.	Metal oxide semiconductor manufacturing, development and sales business, product quality monitoring and testing services; Selling self-produced products	46,906	Note	61,463	-	-	61,463	3,835	100.00%	3,835	19,048	-

Note: Indirect investment through third place Power Up Tech Co., Ltd.

2. Limit of investment in mainland region:

Accumulated investment remitted from Taiwan to mainland region at end of current period	Investment amount approved by MOEAIC	Investment limit in mainland regulated by MOEAIC
61,463	61,463	1,154,078

3. Major transactions with mainland invested companies:

Through Power Up Tech Co., Ltd, the Company entrusted Wuxi Super GEM Microelectronics to handle the after-sales service, quality control and storage management of the products on its behalf. The related expenditures from January 1 to March 31 of 2020 and 2019 were NT\$ 12,420 thousands and NT\$ 13,374 thousands.

The above transactions are written off in the preparation of consolidated financial reports.

Notes to Niko Semiconductor and Subsidiaries Consolidated Financial Statements (Continued)

(IV) Information on Major Shareholders:

Name of major shareholder	Shares	Holding share (thousand shares)	Holding proportion
Liangjia Investments Co., Ltd.		3,220	5.25%

XIV. Department Information

(I) General information

The main revenue of the merged company comes from the sales of power management IC. The main operating decision makers of the merged company use the overall operating results as the basis for evaluating performance. According to this, the merged company is a single operating department, and the operating department information of January 1 to March 31 of 2020 and 2019 is consistent with the consolidated financial report information.

(II) Information on department profits and losses, department assets, and their measurement basis and reconciliation shall be reported.

Information on department profit and loss, department assets and department liabilities of the merged company is consistent with the consolidated financial report. Please refer to the consolidated balance sheet and consolidated income statement for details.