

Stock code: 3317

**NIKO SEMICONDUCTOR CO., LTD. AND
SUBSIDIARIES CONSOLIDATED FINANCIAL
STATEMENTS WITH REPORT OF
INDEPENDENT AUDITORS
FOR THE THREE-MONTH PERIODS
ENDED MARCH 31, 2021 AND 2020**

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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, 2021 and 2020, 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 2021 and 2020. 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, 2021 and 2020 were NT\$ 117,612 thousands and NT\$ 111,987 thousands respectively, accounting for 4.44% and 4.56% of the total consolidated assets respectively. The total liabilities were NT\$ 5,280 thousands and NT\$ 9,926 thousands respectively, accounting for 0.99% and 1.86% of the total consolidated liabilities respectively. The absolute value of the consolidated profit and loss from January 1 to March 31 in 2021 and 2020 were NT\$ 4,667 thousands and NT\$ 3,914 thousands respectively, accounting for 5.18% and 14.91% 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, 2021 and 2020, and the consolidated financial performance and consolidated cash flow from January 1 to March 31, 2021 and 2020.

KPMG Taiwan
Wu, Mei-Pin
Yu, Chi-Lung
May 7, 2021

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, 2021, December 31 and March 31, 2020

Unit: NTS thousands

(The consolidated balance sheets as of March 31, 2021 and 2020 are reviewed, not audited)

Assets		March 31, 2021		December 31, 2020		March 31, 2020		Liabilities and equity		March 31, 2021		December 31, 2020		March 31, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets								Current liabilities							
1100	Cash and equivalent cash (Note 6(1))	\$ 850,655	32	654,703	27	441,241	18	2120	Financial liabilities measured at fair value through profits and losses - Current(Note 6(2))	\$ 4,258	-	-	-	-	-
1110	Financial assets measured at fair value through profits and losses - Current(Note 6(2))	-	-	3,814	-	656	-	2170	Accounts payable	326,591	12	273,185	12	328,775	14
1170	Net accounts receivable(Note 6(3)and(15))	871,860	33	822,908	33	897,255	36	2180	Accounts payable-Related parties (Note 7)	923	-	1,333	-	5,475	-
1180	Accounts receivable – Net amount of Related parties(Note 6(3) 、(15) and 7)	63,682	3	75,978	3	37,500	2	2200	Expenses payable and other accounts payable (Note 7)	145,026	6	134,403	5	129,219	6
1200	Other receivables(Note 7)	11,773	-	10,772	1	19,238	1	2230	Current income tax liabilities	45,382	2	22,878	1	54,189	2
130X	Inventory (Note 6(4))	369,676	14	422,044	17	583,222	24	2280	Lease liabilities - Current (Note 6(9))	2,252	-	3,008	-	2,680	-
1470	Other current assets(Note 8)	11,529	-	5,518	-	4,150	-	2300	Other current liabilities	3,300	-	4,071	-	1,855	-
	Total current assets	<u>2,179,175</u>	<u>82</u>	<u>1,995,737</u>	<u>81</u>	<u>1,983,262</u>	<u>81</u>		Total current liabilities	<u>527,732</u>	<u>20</u>	<u>438,878</u>	<u>18</u>	<u>522,193</u>	<u>22</u>
Non-current assets:								Non-current liabilities:							
1550	Investments by equity method(Note 6(5))	74,969	3	71,754	3	66,395	3	2580	Lease liabilities - Non-current (Note 6(9))	-	-	-	-	2,095	-
1600	Property, plant and equipment (Note 6(6) and 8)	291,633	11	294,029	12	297,403	12	2600	Other non-current liabilities	7,513	-	8,069	-	9,626	-
1755	Use Right assets (Note 6(7))	2,141	-	2,877	-	4,642	-		Total non-current liabilities	<u>7,513</u>	<u>-</u>	<u>8,069</u>	<u>-</u>	<u>11,721</u>	<u>-</u>
1760	Net Investment property (Note 6(8) and 8)	72,032	3	72,183	3	72,638	3		Total liabilities	<u>535,245</u>	<u>20</u>	<u>446,947</u>	<u>18</u>	<u>533,914</u>	<u>22</u>
1840	Deferred income tax assets	16,401	1	16,401	1	17,582	1	Equity attributable to the owner of the parent company:							
1900	Other non-current assets(Note 9)	10,406	-	15,459	-	15,456	-	3110	Capital stock of common stock	612,515	23	612,515	25	612,515	25
	Total non-current assets	<u>467,582</u>	<u>18</u>	<u>472,703</u>	<u>19</u>	<u>474,116</u>	<u>19</u>	3200	Capital reserves	630,512	24	630,512	26	630,512	26
	Total assets	<u>\$ 2,646,757</u>	<u>100</u>	<u>2,468,440</u>	<u>100</u>	<u>2,457,378</u>	<u>100</u>	3310	Legal reserves	149,013	6	149,013	6	129,897	5
								3320	Special reserves	3,594	-	3,594	-	1,850	-
								3350	Undistributed earnings (Note 6(13))	719,340	27	629,165	25	552,651	22
								3410	Exchange differences on the translation of foreign operating organizations	(3,462)	-	(3,306)	-	(3,961)	-
									Total equity	<u>2,111,512</u>	<u>80</u>	<u>2,021,493</u>	<u>82</u>	<u>1,923,464</u>	<u>78</u>
									Total liabilities and equity	<u>\$ 2,646,757</u>	<u>100</u>	<u>2,468,440</u>	<u>100</u>	<u>2,457,378</u>	<u>100</u>

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, 2021 and 2020
(Reviewed, not audited)

Unit: NT\$ thousands

		For the three-month periods ended March 31,			
		2021		2020	
		Amount	%	Amount	%
4000	Operating income (Note 6(15) and 7)	\$ 746,564	100	504,976	100
5000	Operating costs (Note 6(4), (11), (16), 7 and 12)	531,590	71	394,535	78
	Gross operating profits	214,974	29	110,441	22
	Operating expenses (Note 6(3), (9),(11), (16), 7 and 12):				
6100	Sales promotion expenses	24,618	4	19,711	4
6200	Management expenses	46,463	6	29,521	6
6300	Research and development expenses	30,196	4	30,414	6
6450	Expected credit impairment loss (Reversal benefit)	37	-	(180)	-
	Total operating expenses	101,314	14	79,466	16
	Net operating profits	113,660	15	30,975	6
	Non-operating income and expenditure :				
7010	Other income (Note 6(17) and 7)	737	-	998	-
7020	Other profit and loss (Note 6(17))	(4,822)	-	1,003	-
7050	Financial costs (Note 6(9),(17))	(33)	-	(63)	-
7060	Share of interests of affiliated enterprises recognized by equity method (Note 6(5))	3,140	-	401	-
	Total non-operating income and expenditure	(978)	-	2,339	-
	Net profit before tax	112,682	15	33,314	6
7950	Minus: Income tax expenses (Note 6(12))	22,507	3	6,701	1
	Net profit	90,175	12	26,613	5
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	(156)	-	(367)	-
8399	Income tax related to items that may be reclassified	-	-	-	-
	Total items that may be reclassified to profit and loss in subsequent periods	(156)	-	(367)	-
8300	Other comprehensive income	(156)	-	(367)	-
	Total comprehensive income	\$ 90,019	12	26,246	5
	Earnings per share (NTD) (Note 6(14))				
	Basic earnings per share (NTD)	\$ 1.47		0.43	
	Diluted earnings per share (NTD)	\$ 1.44		0.42	

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, 2021 and 2020
(Reviewed, not audited)

Unit: NT\$ thousands

	<u>Equity attributable to owners of parent company</u>					Exchange differences on the translation of foreign operating organizations	Total Equity
	Capital stock of common stock	Capital reserves	Retained earnings		Undistribut ed Earnings		
		Legal reserves	Special reserves				
Balance on January 1, 2020	\$ 612,515	630,512	129,897	1,850	526,038	(3,594)	1,897,218
Net profit	-	-	-	-	26,613	-	26,613
Other comprehensive income	-	-	-	-	-	(367)	(367)
Total comprehensive income	-	-	-	-	26,613	(367)	26,246
Balance on March 31, 2020	<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>
Balance on January 1, 2021	\$ 612,515	630,512	149,013	3,594	629,165	(3,306)	2,021,493
Net profit	-	-	-	-	90,175	-	90,175
Other comprehensive income	-	-	-	-	-	(156)	(156)
Total comprehensive income	-	-	-	-	90,175	(156)	90,019
Balance on March 31, 2021	<u>\$ 612,515</u>	<u>630,512</u>	<u>149,013</u>	<u>3,594</u>	<u>719,340</u>	<u>(3,462)</u>	<u>2,111,512</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, 2021 and 2020
(Reviewed, not audited)

	Unit: NT\$ thousands	
	For the three-month periods	
	ended March 31,	
	2021	2020
Cash flows of business activities:		
Current net profit before tax	\$ 112,682	33,314
Items of adjustment:		
Income expense loss item		
Depreciation expenses	5,428	5,403
Amortization expenses	52	52
Expected credit impairment loss (Reversal benefit)	37	(180)
Net loss of financial assets and liabilities by fair value through profit and loss	8,072	7,020
Interest expenses	33	63
Interest income	(9)	(16)
Share of interests of affiliated enterprises recognized by equity method	(3,140)	(401)
Other	(6,840)	5,636
Total income expense loss item	<u>3,633</u>	<u>17,577</u>
Changes in assets and liabilities related to operating activities:		
Accounts receivable(including related parties)	(36,693)	165,121
Other receivables	(1,001)	(5,182)
Inventory	59,208	(93,719)
Other current assets	(6,011)	(1,753)
Total net changes in assets related to operating activities	<u>15,503</u>	<u>64,467</u>
Accounts payable(including related parties)	52,996	(16,967)
Expenses payable and other payable	10,548	(13,601)
Other current liabilities	(771)	(3,031)
Net defined benefit liabilities	(556)	(550)
Total net changes in liabilities related to operating activities	<u>62,217</u>	<u>(34,149)</u>
Total net changes in assets and liabilities related to operating activities	<u>77,720</u>	<u>30,318</u>
Total items of adjustment	<u>81,353</u>	<u>47,895</u>
Cash inflow from operations	194,035	81,209
Collected interest	9	16
Paid interest	(33)	(63)
Paid income tax	(3)	(10)
Net cash inflow from operating activities	<u>194,008</u>	<u>81,152</u>
Cash flows of investment activities:		
Property, plant and equipment	(2,183)	(4,646)
Decrease in deposit	5,000	5,000
Net cash inflow from investment activities	<u>2,817</u>	<u>354</u>
Cash flows from financing activities:		
Repayment of lease principal	(738)	(659)
Net cash outflow from financing activities	<u>(738)</u>	<u>(659)</u>
Impact of exchange rate changes on cash and equivalent cash	(135)	(786)
Current increase of cash and equivalent cash	195,952	80,061
Beginning balance of cash and equivalent cash	654,703	361,180
Ending balance of cash and equivalent cash	<u>\$ 850,655</u>	<u>441,241</u>

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, 2021 and 2020
(Unless otherwise specified, all amounts are in unit of NTS 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 7, 2021.

III. Application of newly issued and revised standards and interpretations

(I) Effect of adoption of the amendments and interpretations endorsed by the Financial Supervisory Commission ("FSC")

The merged Company adopted the following newly amended IFRS since January 1, 2021, which did not have a material impact on the consolidated financial statements.

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase II"

(II) Effect of not adopting IFRS endorsed by the FSC

The merged Company evaluated the following newly amended IFRS application. It will come into effect on April 1, 2021, which shall not pose a material impact on the consolidated financial statements.

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

(III) New and amended standards and interpretations not yet endorsed by the FSC

The standards and interpretations issued and amended by the International Accounting Standards Board ("IASB") not yet endorsed by the FSC but may be relevant to the merged Company are as follows:

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

Newly Issued or Amended Standards	Major Amendments	Effective Date of Standards Issued by the IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current on the balance sheet.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

The merged Company continues to evaluate the effect of the above standards and interpretations posed on the merged Company’s financial condition and management results. Related effects will be disclosed upon the completion of the evaluation.

The merged Company expects that the following other newly issued and amended standards not yet endorsed will impact the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- Amendments to IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
- Amendment to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”
- Amendment to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendment to IAS 1 “Disclosure of Accounting Policies”
- Amendment to IAS 8 “Definition of Accounting Estimates”

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).

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

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 2020. For relevant information, please refer to Note 4 to the consolidated financial report of 2020.

(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, 2021	December 31, 2020	March 31, 2020	
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.

(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

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

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 2020.

The accounting policies involved major judgments and has major impact on the amounts recognized in this consolidated financial report as followed:

Judgment on whether the invested company has substantial control

The company holds 15.04% of the voting shares of Green Solution Technology Co., Ltd. (hereinafter referred to as "Green Solution Technology"), and is the single largest shareholder. Although the remaining shares of Green Solution Technology are not concentrated in specific shareholders, the company still unable to obtain more than half of the directors of Green Solution Technology. So it has a major influence on Green Solution Technology.

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 2020. For relevant information, please refer to Note 6 to the consolidated financial report of 2020.

(I) Cash and equivalent cash

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand and petty cash	\$ 245	270	440
Checks and demand deposits	850,410	654,433	440,801
	<u>\$ 850,655</u>	<u>654,703</u>	<u>441,241</u>

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Non-hedging derivative instruments			
Exchange transaction contract	<u>\$ (4,258)</u>	<u>3,814</u>	<u>656</u>

As at March 31, 2021 and December 31 and March 31 of 2020 the details of derivative instruments of financial assets (liabilities) held for trading due to the non-application of hedge accounting are as follows:

<u>March 31, 2021</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\$ 28,480	April 6, 2021~April 20, 2021	27.962~28.483
Exchange transaction contract-US\$ in/NT\$ out	US\$ 12,460	April 28, 2021~June 29, 2021	27.778~28.538
<u>December 31, 2020</u>			

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

<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\$ 30,260	January 4, 2021~ January 29, 2021	28.172~28.503
Exchange transaction contract-US\$ in/NT\$ out	US\$ 8,560	January 29, 2021~ February 26, 2021	28.092~28.098

March 31, 2020

<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

(III) Accounts receivable (including related parties)

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable	\$ 872,885	823,872	898,277
Accounts receivable-Related parties	63,810	76,130	37,575
Less: allowance for losses	<u>(1,153)</u>	<u>(1,116)</u>	<u>(1,097)</u>
	<u>\$ 935,542</u>	<u>898,886</u>	<u>934,755</u>

1. The merged company adopts a simplified approach to estimate the expected credit loss for all Accounts receivable, i.e. using the expected credit loss during the duration. For this measurement purpose, these 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. An analysis of the expected credit losses of the merged company's accounts receivable is as follows:

	<u>March 31, 2021</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	\$ 934,174	0.1%~0.2%	1,111
1~30 days overdue	2,327	1%~2%	23
31~90 days overdue	194	10%~50%	19
91~180 days overdue	-	50%~70%	-
181~360 days overdue	<u>-</u>	100%	<u>-</u>
	<u>\$ 936,695</u>		<u>1,153</u>

December 31, 2020

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

	Book amount of accounts receivable	Weighted average expected credit loss rate	Expected credit loss during allowance duration
Not overdue	\$ 899,049	0.1%~0.2%	1,106
1~30 days overdue	953	1%~2%	10
31~90 days overdue	-	10%~50%	-
91~180 days overdue	-	50%~70%	-
181~360 days overdue	-	100%	-
	<u>\$ 900,002</u>		<u>1,116</u>

	March 31, 2020		
	Book amount of accounts receivable	Weighted average expected credit loss rate	Expected credit loss during allowance duration
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	-	100%	-
	<u>\$ 935,852</u>		<u>1,097</u>

2. The statement of changes in allowance losses for Accounts receivable of the merged company is as follows:

	For the three-month periods ended March 31,	
	2021	2020
Balance at beginning of period	\$ 1,116	1,277
Impairment losses recognized (reversed)	<u>37</u>	<u>(180)</u>
Balance at end of period	<u>\$ 1,153</u>	<u>1,097</u>

3. As of March 31, 2021, December 31 and March 31 of 2020, the Accounts receivable of the merged company has not been provided as pledge guarantee.

(IV) Inventory

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 61,506	49,521	63,724
In-process and semi-finished products	201,877	219,250	279,011
Finished products and commodity	<u>106,293</u>	<u>153,273</u>	<u>240,487</u>
	<u>\$ 369,676</u>	<u>422,044</u>	<u>583,222</u>

1. 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)

	<u>For the three-month periods ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Inventory depreciation loss (Reversal benefit)	<u>\$ (6,840)</u>	<u>5,636</u>

2. As of March 31, 2021, December 31 and March 31 of 2020, 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:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Associated enterprise	<u>\$ 74,969</u>	<u>71,754</u>	<u>66,395</u>

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Share of profit of related venture using equity method	<u>\$ 3,140</u>	<u>401</u>

2. As of March 31, 2021, December 31 and March 31 of 2020, the investment of the merged company using the equity method has not been provided as pledge guarantee.

(VI) Property, plant and equipment

Details of changes in costs and accumulated depreciation of the merged company's property, plant and equipment are as follows:

	<u>Land</u>	<u>Houses and building</u>	<u>Office equipment and other</u>	<u>Equipment to be inspected</u>	<u>Total</u>
Book amount:					
January 1, 2021	<u>\$ 161,823</u>	<u>86,686</u>	<u>43,982</u>	<u>1,538</u>	<u>294,029</u>
March 31, 2021	<u>\$ 161,823</u>	<u>85,989</u>	<u>42,342</u>	<u>1,479</u>	<u>291,633</u>
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>

1. Between January 1 to March 31, 2021, and 2020, there were no significant recognition or reversals of additions, disposals or impairments of the merged Company's property, plant and equipment. Please refer to Note 12 for the depreciation amount for the current period; for other related information, please refer to Note 6(6) of the 2020 Consolidated Financial Report.
2. As of March 31, 2021 and December 31 and March 31 of 2020, the merged Company's property, plant and equipment have been used as bank loan and financing limit guarantees. Please refer to Note 8 for details.

(VII) Right-of-use assets

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

	<u>Houses and buildings</u>
Book value:	
January 1, 2021	\$ <u>2,877</u>
March 31, 2021	\$ <u>2,141</u>
January 1, 2020	\$ <u>5,368</u>
March 31, 2020	\$ <u>4,642</u>

Between January 1 to March 31, 2021, and 2020, there were no significant recognition or reversals of additions or impairments of right-of-use assets of the merged Company's leased offices and employee dormitories. Please refer to Note 12 for the depreciation amount for the current period; for other related information, please refer to Note 6(7) of the 2020 Consolidated Financial Report.

(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.

	<u>Land</u>	<u>Houses and building</u>	<u>Total</u>
Book amount:			
Balance on January 1, 2021	\$ <u>48,068</u>	<u>24,115</u>	<u>72,183</u>
Balance on March 31, 2021	\$ <u>48,068</u>	<u>23,964</u>	<u>72,032</u>
Balance on January 1, 2020	\$ <u>48,068</u>	<u>24,722</u>	<u>72,790</u>
Balance on March 31, 2020	\$ <u>48,068</u>	<u>24,570</u>	<u>72,638</u>

1. Between January 1 to March 31, 2021, and 2020, there were no significant recognition or reversals of additions, disposals or impairments of the merged Company's investment properties. Please refer to Note 12 for the depreciation amount for the current period; for other related information, please refer to Note 6(8) of the 2020 Consolidated Financial Report.
2. 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 2020.

(IX) Lease liabilities

The book amount of leasing liabilities of the merged company are as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current	\$ <u>2,252</u>	<u>3,008</u>	<u>2,680</u>
Non-current	\$ <u>-</u>	<u>-</u>	<u>2,095</u>

1. For maturity analysis, please refer to Note 6 (18) Financial Instruments.
2. The amounts recognized in profit or loss are as follows:

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

	For the three-month periods ended March 31,	
	2021	2020
Interest expense on lease liabilities	\$ 33	63
Rental charges for short-term leases and low-value assets	\$ 190	150

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

	For the three-month periods ended March 31,	
	2021	2020
Rental payments for operating activities	\$ (190)	(150)
Interest payments on lease liabilities for operating activities	(33)	(63)
Repayment of lease principal for financing activities	(738)	(659)
Total cash outflow from leases	\$ (961)	(872)

4. Lease of houses and buildings

The merged company leased the houses and buildings as office space and employee dormitories with a lease period of normally three years.

5. Other leases

The merged company leased the office equipment and parking space with a lease period of 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.

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:

	March 31, 2021	December 31, 2020	March 31, 2020
Less than 1 year	\$ 2,860	2,864	2,874
1 to 2 years	2,619	3,333	2,860
2 to 3 years	-	-	2,619
3 to 4 years	-	-	-
4 to 5 years	-	-	-
More than 5 years	-	-	-
Total undiscounted payments	\$ 5,479	6,197	8,353

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

(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, 2020 and 2019 to measure and disclose the pension costs during the interim period.

	For the three-month periods ended March 31,	
	2021	2020
Operating costs	\$ 11	11
Selling expenses	7	8
Administrative expenses	85	89
Research and development expenses	<u>10</u>	<u>11</u>
	<u>\$ 113</u>	<u>119</u>

2. Determine the allocation plan

The pension expenses under the merged Company's Defined Pension Contribution Plan are as follows. The merged Company's pension expenses have been transferred to the Labor Insurance Bureau. Pension expenses to other overseas subsidiaries included in the consolidated financial report have been allocated in accordance with local laws and regulations.

	For the three-month periods ended March 31,	
	2021	2020
Operating costs	\$460	427
Selling expenses	277	226
Administrative expenses	548	434
Research and development expenses	<u>606</u>	<u>666</u>
	<u>\$ 1,891</u>	<u>1,753</u>

(XII) Tax

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

	For the three-month periods ended March 31,	
	2021	2020
Current tax expense	<u>\$ 22,507</u>	<u>6,701</u>

- The merged Company's tax expenses of equity have not been recognized in January 1 to March 31 of 2021 and 2020 directly.
- The merged Company's tax expenses under other comprehensive profit and loss have not been recognized in January 1 to March 31 of 2021 and 2020.
- The merged Company's profit-making enterprise tax settlement declaration has been approved by the tax collection authority as follows:

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

	<u>Approved Year</u>
The Company	Has been approved to 2019
Jinrong Investment	Has been approved to 2019

(XIII) Capital and other equity

Except for the following, there was no significant change in the capital and other equity of the merged company between January 1 to March 31 of 2021 and 2020. For relevant information, please refer to Note 6 (13) of the consolidated financial report of 2020.

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

The Company's motion for earnings distribution for 2020 proposed by the Board of Directors on March 19, 2021, and the motion for earnings distribution for 2019 resolved by the shareholders' meeting on June 10, 2020, the dividends distributed to owners is as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Share allotment rate (yuan)</u>	<u>Amount</u>	<u>Share allotment rate (yuan)</u>	<u>Amount</u>
Dividends to ordinary owners:				
Cash	\$ 1.0	<u>61,252</u>	1.0	<u>61,252</u>

(XIV) Earnings per share

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share:		
Current net profit attributable to the Company	<u>\$ 90,175</u>	<u>26,613</u>
Weighted average number of ordinary shares in circulation(thousand shares)	<u>61,252</u>	<u>61,252</u>
Earnings per share (yuan)	<u>\$ 1.47</u>	<u>0.43</u>
Dilute earnings per share:		
Current net profit attributable to the Company	<u>\$ 90,175</u>	<u>26,613</u>

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

Weighted average number of ordinary shares in circulation(thousand shares)(dilution)	<u>62,449</u>	<u>63,322</u>
Earnings per share (yuan)	<u>\$ 1.44</u>	<u>0.42</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 remuneration	<u>1,197</u>	<u>2,070</u>
Weighted average number of ordinary shares in circulation (dilution)	<u>62,449</u>	<u>63,322</u>

(XV) Revenue from customer contracts

1. Breakdown of income

	<u>For the three-month periods ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Major regional markets:		
Taiwan	\$ 197,959	173,352
Mainland China	539,802	322,708
Other countries	<u>8,803</u>	<u>8,916</u>
	<u>\$ 746,564</u>	<u>504,976</u>
Main products:		
Power MOSFET	\$ 681,363	461,118
Power Management IC	8,056	17,035
Other	<u>57,145</u>	<u>26,823</u>
	<u>\$ 746,564</u>	<u>504,976</u>

2. Contract balance

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable(including related parties)	\$ 936,695	900,002	935,852
Less: allowance for losses	<u>(1,153)</u>	<u>(1,116)</u>	<u>(1,097)</u>
Total	<u>\$ 935,542</u>	<u>898,886</u>	<u>934,755</u>

Please refer to Note 6 (3) for details of disclosure of Accounts receivable(including related parties) and its impairment.

(XVI) Remuneration of employees, directors and supervisors

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

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

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 2021 and 2020 were NT\$ 21,108 thousands and NT\$ 6,189 thousands respectively. The estimated amounts of remuneration for directors and supervisors were NT\$ 7,036 thousands and NT\$ 2,063 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 2020 and 2019 were NT\$ 44,477 thousands and NT\$ 46,622 thousands respectively, while the compensation for directors and supervisors were NT\$ 14,826 thousands and NT\$ 15,541 thousands respectively, which was no difference from the actual distribution. Relevant information can be found at the Public Information Platform.

(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,	
	2021	2020
Other income	<u>\$ 737</u>	<u>998</u>

2. Other profit or loss

Details of other profit or loss of the merged company are as follows:

	For the three-month periods ended March 31,	
	2021	2020
Foreign currency exchange (loss) profit, net	\$ (446)	565
Net profits (losses) of financial assets(liabilities) at fair value through profit or loss	(4,258)	656
Other profit or loss	<u>(118)</u>	<u>(218)</u>
	<u>\$ (4,822)</u>	<u>1,003</u>

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

3. Finance costs

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

	For the three-month periods ended March 31,	
	2021	2020
Interest expense	\$ 33	63

(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) to the consolidated financial report for 2020 for relevant information.

1. Credit risk

(1) Credit Risk Exposure

The book amount on financial assets represents the maximum exposure to credit risk.

(2) Credit Risk Concentration

On March 31, 2021 and December 31 and March 31 of 2020, the merged company received 43%, 36% and 53% of the total 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.

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, 2021							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 327,514	327,514	327,514	-	-	-	-
Expenses payable and other accounts payable	145,026	145,026	145,026	-	-	-	-
Lease liabilities	2,252	2,297	1,531	766	-	-	-
	<u>\$ 474,792</u>	<u>474,837</u>	<u>474,071</u>	<u>766</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2020							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 274,518	274,518	274,518	-	-	-	-

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

Expenses payable and other accounts payable	134,403	134,403	134,403	-	-	-	-
Lease liabilities	3,008	3,086	1,543	1,543	-	-	-
	<u>\$ 411,929</u>	<u>412,007</u>	<u>410,464</u>	<u>1,543</u>	<u>-</u>	<u>-</u>	<u>-</u>

March 31, 2020

Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 334,250	334,250	334,250	-	-	-	-
Expenses payable and other accounts payable	129,219	129,219	129,219	-	-	-	-
Lease liabilities	4,775	4,987	1,425	1,425	2,137	-	-
	<u>\$ 468,244</u>	<u>468,456</u>	<u>464,894</u>	<u>1,425</u>	<u>2,137</u>	<u>-</u>	<u>-</u>

The merged Company does not expect the timing of cash flows for the maturity analysis will occur significantly earlier or the actual amounts will be significantly different.

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:

	March 31, 2021			December 31, 2020			March 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 35,638	28.535	1,016,926	33,715	28.480	960,216	36,729	30.225	1,110,137
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	11,664	28.535	332,826	9,867	28.480	281,000	11,524	30.225	348,317

The exchange rate risk of the merged company mainly comes from cash denominated in foreign currency and equivalent cash, accounts receivable, other receivables, accounts payable, expenses payable and other payables, etc. Foreign currency exchange gains and losses are generated during conversion. On March 31, 2021 and 2020, 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 2021 and 2020 will increase or decrease by NT\$ 6,841 thousands and NT\$ 7,618 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 functional currency NT\$ (i.e. the expressive currency by the merged company) is as follows:

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

<u>Functional currency</u>	For the three-month periods ended March 31,			
	2021		2020	
	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
NTD	\$ (497)	1	(251)	1
RMB	51	4.344	816	4.310
	<u>\$ (446)</u>		<u>565</u>	

4. 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.

5. 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:

	March 31, 2021				
	<u>Book amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at amortized cost :					
Cash and equivalent cash	\$ 850,655				
Accounts receivable (including related parties)	935,542				
Other accounts receivable	11,773				
Restricted bank deposits	3,744				
Refundable deposits	10,077				
Total	<u>\$ 1,811,791</u>				
Financial liabilities at fair value through profit or loss - Current	<u>\$ 4,258</u>	<u>-</u>	<u>-</u>	<u>4,258</u>	<u>4,258</u>
Financial liabilities at amortized cost :					
Accounts payable (including related parties)	\$ 327,514				
Expenses payable and other accounts payable	145,026				
Lease liabilities	2,252				
Total	<u>\$ 474,792</u>				

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

		December 31, 2020			
		Fair value			
Financial assets at fair value through profit or loss - Current	Book amount	Level 1	Level 2	Level 3	Total
	\$ 3,814	<u>-</u>	<u>-</u>	<u>3,814</u>	<u>3,814</u>
Financial assets at amortized cost :					
Cash and equivalent cash	\$ 654,703				
Accounts receivable (including related parties)	898,886				
Other accounts receivable	10,772				
Restricted bank deposits	3,744				
Refundable deposits	<u>15,077</u>				
Total	<u>\$ 1,583,182</u>				
Financial liabilities at amortized cost :					
Accounts payable (including related parties)	\$ 274,518				
Expenses payable and other accounts payable	134,403				
Lease liabilities	<u>3,008</u>				
Total	<u>\$ 411,929</u>				
		March 31, 2020			
		Fair value			
Financial assets at fair value through profit or loss - Current	Book amount	Level 1	Level 2	Level 3	Total
	\$ 656	<u>-</u>	<u>-</u>	<u>656</u>	<u>656</u>
Financial assets at amortized cost :					
Cash and equivalent cash	\$ 441,241				
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 :					
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>				

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

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

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 2021 and 2020.

(4) Schedule of Level 3 changes

	Financial assets (liabilities) at fair value through profit or loss
January 1, 2021	\$ 3,814
Purchase/disposal/settlement	(3,814)
Recognized in profit or loss	<u>(4,258)</u>
March 31, 2021	<u>\$ (4,258)</u>
January 1, 2020	\$ 7,676
Purchase/disposal/settlement	(7,676)
Recognized in profit or loss	<u>656</u>
March 31, 2020	<u>\$ 656</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, 2021 and 2020 are as follows:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Total profits or losses		
Recognized in profit or loss (reported in “Other profits and losses”)	<u>\$ (4,258)</u>	<u>656</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 of 2020.

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

(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 2020. 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 2020. Please refer to note 6(20) to consolidated financial report of 2020 for relevant information.

(XXI) Changes in liabilities from financial activities

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

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Changes of non-cash</u>	<u>March 31, 2021</u>
Lease liabilities	\$ 3,008	(738)	(18)	2,252
Total liabilities from financial activities	<u>\$ 3,008</u>	<u>(738)</u>	<u>(18)</u>	<u>2,252</u>

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Changes of non-cash</u>	<u>March 31, 2020</u>
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>

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:

<u>Name of related party</u>	<u>Relations with merged company</u>
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) 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, 2021	December 31, 2020	March 31, 2020
	2021	2020			
Associated enterprises:					
Other associated enterprises	\$ 63,011	33,265	63,810	76,130	37,575
Less: allowance for losses	-	-	(128)	(152)	(75)
	<u>\$ 63,011</u>	<u>33,265</u>	<u>63,682</u>	<u>75,978</u>	<u>37,500</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 2021 and 2020 are 90 days, while the average customer is about 30 days to 150 days .

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, 2021	December 31, 2020	March 31, 2020
	2021	2020			
Associated enterprises:					
Green Solution Technology	<u>\$ 5,590</u>	<u>14,579</u>	<u>923</u>	<u>1,333</u>	<u>5,475</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 2021 and 2020 are 30 days, while the terms of payment for ordinary manufacturers are about 30 to 90 days.

3. Purchase labor services from related parties

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

	Transaction amount		Expenses payable and other accounts payable		
	For the three-month periods ended March 31,		March 31, 2021	December 31, 2020	March 31, 2020
	2021	2020			
Other related parties:					
Super Group Semiconductor - Product development project fees	1,800	3,400	1,890	3,780	6,700
Super Group Semiconductor - Product maintenance fees	-	392	-	150	123
Super Group Semiconductor - Product royalty fees	<u>14,438</u>	<u>14,080</u>	<u>4,398</u>	<u>4,130</u>	<u>5,395</u>
	<u>\$ 16,238</u>	<u>17,872</u>	<u>6,288</u>	<u>8,060</u>	<u>12,218</u>

As of March 31, 2021 and 2020, 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.

4. Rental income

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

	Transaction amount		Other accounts receivable		
	For the three-month periods ended March 31,		March 31, 2021	December 31, 2020	March 31, 2020
	2021	2020			
Associated enterprises:					
Green Solution Technology	\$ 714	714	250	250	250
Other related parties:					
Other related parties	<u>4</u>	<u>4</u>	<u>15</u>	<u>11</u>	<u>15</u>
	<u>\$ 718</u>	<u>718</u>	<u>265</u>	<u>261</u>	<u>265</u>

(III) Main management personnel transactions

Remuneration for main management personnel includes:

	For the three-month periods ended March 31,	
	2021	2020
Short-term employee welfare	\$ 8,655	4,853
Post-retirement welfare	113	119
Resignation welfare	-	-
Other long-term welfare	-	-
Share-based payment	-	-
	<u>\$ 8,768</u>	<u>4,972</u>

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

VIII. Pledged Assets

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

<u>Assets name</u>	<u>Pledge object</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Restricted bank deposits-Current	Performance bond	\$ 3,744	3,744	-
Property, plant and equipment – Land	Bank loan	97,394	97,394	144,182
- Houses and buildings	"	48,455	48,763	73,566
Investing property - Land	"	48,068	48,068	48,068
- Houses and buildings	"	<u>23,964</u>	<u>24,115</u>	<u>24,570</u>
		<u>\$ 221,625</u>	<u>222,084</u>	<u>290,386</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:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Guaranteed notes	<u>\$ 10,000</u>	<u>10,000</u>	<u>10,000</u>

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Loan limit and financial commodities trading limit	<u>\$ 1,019,089</u>	<u>1,018,360</u>	<u>1,035,083</u>

(III) As of March 31, 2021 and December 31 and March 31 of 2020, the amounts of new product development contracts and outsourcing design contracts signed by the merged company that have not yet reached the agreed development and design stage and have not yet applied to the merged company are NT\$ 27,400 thousands, NT\$ 29,200 thousands and NT\$ 34,500 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, 2021 and December 31 and March 31 of 2020, the deposit amount has been NT\$ 10,000 thousands, NT\$ 15,000 thousands and NT\$ 15,000 thousands respectively.

X. Major disaster losses: None.

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

XI. Major post-date events: None.

XII. Other

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

Function	For the three-month periods ended March 31, 2021			For the three-month periods ended March 31, 2020		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Quality						
Staff welfare expenses						
Salary expense	11,613	55,913	67,526	9,596	39,309	48,905
Labor and health insurance expenses	996	2,352	3,348	899	2,220	3,119
Pension expenses	470	1,534	2,004	438	1,434	1,872
Other employee welfare expenses	611	1,471	2,082	550	1,387	1,937
Depreciation expense	1,383	4,045	5,428	1,871	3,532	5,403
Amortization expense	-	52	52	-	52	52

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 2021 in accordance with the preparation standards is as follows:

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

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

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, 2021			
				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	1,193	Before the 25th of the following month	0.16%
0	"	"	Transactions between parent company and subsidiary	Operating expenses	6,136	"	0.82%
0	"	"	Transactions between parent company and subsidiary	Expenses payable	799	"	0.03%
1	Power Up Tech Co. Ltd.	Wuxi Super GEM Microelectronics Co., Ltd.	Inter-subsidiary transactions	Operating costs	7,158	"	0.96%
1	"	"	Inter-subsidiary transactions	Expenses payable	770	"	0.03%

Note: Related transactions have been written off when preparing the consolidated financial report.

(II) Information related to reinvestment:

Information on the Company's reinvestments from January 1 to March 31 of 2021 is as follows (excluding mainland China invested companies):

Unit: NTS 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%	75,416	3,085	3,135	Note
"	Power Up Tech Co., Ltd.	Samoa	Holding company	30,744	30,744	1,930,000	100.00%	37,270	1,738	1,738	"
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%	75,412	22,904	3,444	

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:

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

Unit: NTS 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	1,725	100.00%	1,725	20,547	-

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	1,266,907

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 2021 and 2020 were NT\$ 7,158 thousands and NT\$ 12,420 thousands.

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

(IV) Information on Major Shareholders:

Name of major shareholder	Shares	Holding share	Holding proportion
Liangjia Investments Co., Ltd.		3,220,257	5.25%

XIV. Department Information

(I) General information

The main revenue of the merged company comes from the sales of power MOSFET, and 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 2021 and 2020 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.