

**NIKO SEMICONDUCTOR CO., LTD. AND  
SUBSIDIARIES CONSOLIDATED FINANCIAL  
STATEMENTS WITH REPORT OF  
INDEPENDENT AUDITORS  
FOR THE NINE MONTHS  
ENDED SEPTEMBER 30, 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 balance sheets of Niko Semiconductor and its subsidiaries as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine months then ended September 30, 2021 and 2020, and the related notes to the consolidated financial statement, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope**

Except as stated in the basic paragraph of the reserved conclusion, we conducted our reviews in accordance with the SAS No.65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **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 September 30, 2021 and 2020 were NT\$ 121,774 thousands and NT\$ 114,513 thousands respectively, accounting for 4.23% and 4.62% of the total consolidated assets respectively. The total liabilities were NT\$ 3,769 thousands and NT\$ 9,145 thousands respectively, accounting for 0.57% and 1.80% of the total consolidated liabilities respectively. The absolute value of the consolidated profit and loss for the three and nine months ended September 30, 2021 and 2020 were NT\$ 4,894 thousands, NT\$ 633 thousands, NT\$ 10,350 thousands and NT\$ 5,730 thousands respectively, accounting for 5.79%, 1.09%, 4.02% and 4.37% 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, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Company as of September 30, 2021 and 2020, and of its consolidated financial performance for the three-month periods then ended September 30, 2021 and 2020, as well as of its consolidated financial performance and its consolidated cash flows for the nine-month periods then ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG Taiwan  
Wu, Mei-Pin  
Yu, Chi-Lung  
November 5, 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**

**September 30, 2021, December 31 and September 30, 2020**

**Unit: NTS thousands**

(The consolidated balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

|  | September 30,<br>2021 |            | December 31,<br>2020 |            | September 30,<br>2020 |            |   | September 30,<br>2021           |            | December 31,<br>2020 |            | September 30,<br>2020 |            |
|--|-----------------------|------------|----------------------|------------|-----------------------|------------|---|---------------------------------|------------|----------------------|------------|-----------------------|------------|
|  | Amount                | %          | Amount               | %          | Amount                | %          |   | Amount                          | %          | Amount               | %          | Amount                | %          |
| <b>Assets</b>  |                       |            |                      |            |                       |            |   | <b>Liabilities and equity</b>   |            |                      |            |                       |            |
| <b>Current assets</b>  |                       |            |                      |            |                       |            |   | <b>Current liabilities</b>      |            |                      |            |                       |            |
| 1100 Cash and equivalent cash (Note 6(1))  | \$ 969,244            | 34         | 654,703              | 27         | 528,427               | 21         | 2120 Financial liabilities measured at fair value through profits and losses - Current(Note 6(2)) | \$ 280                          | -          | -                    | -          | -                     | -          |
| 1110 Financial assets measured at fair value through profits and losses - Current(Note 6(2)) | -                     | -          | 3,814                | -          | 3,707                 | -          | 2170 Accounts payable   | 361,532                         | 13         | 273,185              | 12         | 305,432               | 12         |
| 1170 Net accounts receivable(Note 6(3)and(15))   | 904,245               | 31         | 822,908              | 33         | 865,372               | 35         | 2180 Accounts payable-Related parties (Note 7)  | 1,251                           | -          | 1,333                | -          | 3,672                 | -          |
| 1180 Accounts receivable – Net amount of Related parties(Note 6(3) 、(15) and 7)              | 58,742                | 2          | 75,978               | 3          | 43,112                | 2          | 2200 Expenses payable and other accounts payable (Note 7)   | 210,535                         | 7          | 134,403              | 5          | 173,431               | 7          |
| 1200 Other receivables(Note 7)   | 23,665                | 1          | 10,772               | 1          | 23,749                | 1          | 2230 Current income tax liabilities   | 71,010                          | 3          | 22,878               | 1          | 11,564                | 1          |
| 130X Inventory (Note 6(4))   | 371,257               | 13         | 422,044              | 17         | 538,385               | 22         | 2280 Lease liabilities - Current (Note 6(9))  | 477                             | -          | 3,008                | -          | 2,899                 | -          |
| 1470 Other current assets(Note 8)  | 6,147                 | -          | 5,518                | -          | 2,628                 | -          | 2300 Other current liabilities(Note 7)  | 7,150                           | -          | 4,071                | -          | 2,882                 | -          |
| <b>Total current assets</b>  | <b>2,333,300</b>      | <b>81</b>  | <b>1,995,737</b>     | <b>81</b>  | <b>2,005,380</b>      | <b>81</b>  | <b>Total current liabilities</b>  | <b>652,235</b>                  | <b>23</b>  | <b>438,878</b>       | <b>18</b>  | <b>499,880</b>        | <b>20</b>  |
| <b>Non-current assets:</b>   |                       |            |                      |            |                       |            |   | <b>Non-current liabilities:</b> |            |                      |            |                       |            |
| 1550 Investments by equity method(Note 6(5))   | 81,752                | 3          | 71,754               | 3          | 69,585                | 3          | 2580 Lease liabilities - Non-current (Note 6(9))  | -                               | -          | -                    | -          | 747                   | -          |
| 1600 Property, plant and equipment (Note 6(6) and 8)   | 292,200               | 10         | 294,029              | 12         | 292,500               | 12         | 2600 Other non-current liabilities  | 6,402                           | -          | 8,069                | -          | 8,526                 | 1          |
| 1755 Use Right assets (Note 6(7))  | 447                   | -          | 2,877                | -          | 3,508                 | -          | <b>Total non-current liabilities</b>  | <b>6,402</b>                    | <b>-</b>   | <b>8,069</b>         | <b>-</b>   | <b>9,273</b>          | <b>1</b>   |
| 1760 Net Investment property (Note 6(8) and 8)   | 71,728                | 2          | 72,183               | 3          | 72,335                | 3          | <b>Total liabilities</b>  | <b>658,637</b>                  | <b>23</b>  | <b>446,947</b>       | <b>18</b>  | <b>509,153</b>        | <b>21</b>  |
| 1840 Deferred income tax assets  | 16,401                | 1          | 16,401               | 1          | 17,582                | 1          | <b>Equity attributable to the owner of the parent company:</b>                                    |                                 |            |                      |            |                       |            |
| 1900 Other non-current assets(Note 9)  | 80,264                | 3          | 15,459               | -          | 15,383                | -          | 3110 Captital stock of common stock   | 612,515                         | 21         | 612,515              | 25         | 612,515               | 25         |
| <b>Total non-current assets</b>  | <b>542,792</b>        | <b>19</b>  | <b>472,703</b>       | <b>19</b>  | <b>470,893</b>        | <b>19</b>  | 3200 Capital reserves   | 630,512                         | 22         | 630,512              | 26         | 630,512               | 25         |
| <b>Total assets</b>  | <b>\$ 2,876,092</b>   | <b>100</b> | <b>2,468,440</b>     | <b>100</b> | <b>2,476,273</b>      | <b>100</b> | 3310 Legal reserves   | 167,537                         | 6          | 149,013              | 6          | 149,013               | 6          |
|  |                       |            |                      |            |                       |            | 3320 Special reserves   | 3,306                           | -          | 3,594                | -          | 3,594                 | -          |
|  |                       |            |                      |            |                       |            | 3350 Undistributed earnings (Note 6(13))  | 807,216                         | 28         | 629,165              | 25         | 575,340               | 23         |
|  |                       |            |                      |            |                       |            | 3410 Exchange differences on the translation of foreign operating organizations                   | (3,631)                         | -          | (3,306)              | -          | (3,854)               | -          |
|  |                       |            |                      |            |                       |            | <b>Total equity</b>   | <b>2,217,455</b>                | <b>77</b>  | <b>2,021,493</b>     | <b>82</b>  | <b>1,967,120</b>      | <b>79</b>  |
|  |                       |            |                      |            |                       |            | <b>Total liabilities and equity</b>   | <b>\$ 2,876,092</b>             | <b>100</b> | <b>2,468,440</b>     | <b>100</b> | <b>2,476,273</b>      | <b>100</b> |

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

**Niko Semiconductor and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the Three and Nine months Ended September 30, 2021 and 2020**  
**(Reviewed, not audited)**

Unit: NT\$ thousands

|      | For the Three months<br>Ended September 30,  |         |        |          | For the Nine months<br>Ended September 30, |           |        |           |     |
|------|--|---------|--------|----------|--|-----------|--------|-----------|-----|
|      | 2021   |         | 2020   |          | 2021                                       |           | 2020   |           |     |
|      | Amount   | %       | Amount | %        | Amount                                     | %         | Amount | %         |     |
| 4000 | <b>Operating income (Note 6(15) and 7)</b>   |         |        |          |  |           |        |           |     |
|      | \$   | 694,428 | 100    | 655,242  | 100  | 2,131,779 | 100    | 1,801,363 | 100 |
| 5000 | <b>Operating costs (Note 6(4), (11), (16), 7 and 12)</b>   |         |        |          |  |           |        |           |     |
|      |  | 490,927 | 71     | 477,429  | 73   | 1,509,336 | 71     | 1,342,588 | 75  |
|      | <b>Gross operating profits</b>   |         |        |          |  |           |        |           |     |
|      |  | 203,501 | 29     | 177,813  | 27   | 622,443   | 29     | 458,775   | 25  |
|      | <b>Operating expenses (Note 6(3), (9), (11), (16), 7 and 12):</b>  |         |        |          |  |           |        |           |     |
| 6100 | Sales promotion expenses   |         |        |          |  |           |        |           |     |
|      |  | 26,096  | 4      | 24,959   | 4  | 76,071    | 4      | 68,926    | 3   |
| 6200 | Management expenses  |         |        |          |  |           |        |           |     |
|      |  | 36,552  | 5      | 36,810   | 5  | 123,546   | 6      | 100,036   | 6   |
| 6300 | Research and development expenses  |         |        |          |  |           |        |           |     |
|      |  | 36,696  | 5      | 33,210   | 5  | 99,704    | 4      | 97,469    | 5   |
| 6450 | Expected credit impairment loss (Reversal benefit)   |         |        |          |  |           |        |           |     |
|      |  | 63      | -      | (145)    | -  | 142       | -      | (180)     | -   |
|      | <b>Total operating expenses</b>  |         |        |          |  |           |        |           |     |
|      |  | 99,407  | 14     | 94,834   | 14   | 299,463   | 14     | 266,251   | 14  |
|      | <b>Net operating profits</b>   |         |        |          |  |           |        |           |     |
|      |  | 104,094 | 15     | 82,979   | 13   | 322,980   | 15     | 192,524   | 11  |
|      | <b>Non-operating income and expenditure :</b>  |         |        |          |  |           |        |           |     |
| 7010 | Other income (Note 6(17) and 7)  |         |        |          |  |           |        |           |     |
|      |  | 2,138   | -      | 1,554    | -  | 5,510     | -      | 3,654     | -   |
| 7020 | Other profit and loss (Note 6(17))   |         |        |          |  |           |        |           |     |
|      |  | 1,623   | -      | (14,882) | (2)  | (9,848)   | -      | (28,174)  | (2) |
| 7050 | Financial costs (Note 6(9), (17))  |         |        |          |  |           |        |           |     |
|      |  | (10)    | -      | (48)     | -  | (60)      | -      | (168)     | -   |
| 7060 | Share of interests of affiliated enterprises<br>recognized by equity method (Note 6(5))                  |         |        |          |  |           |        |           |     |
|      |  | 4,655   | 1      | 2,566    | -  | 9,741     | -      | 3,641     | -   |
|      | <b>Total non-operating income and expenditure</b>  |         |        |          |  |           |        |           |     |
|      |  | 8,406   | 1      | (10,810) | (2)  | 5,343     | -      | (21,047)  | (2) |
|      | <b>Net profit before tax</b>   |         |        |          |  |           |        |           |     |
|      |  | 112,500 | 16     | 72,169   | 11   | 328,323   | 15     | 171,477   | 9   |
| 7950 | <b>Minus: Income tax expenses (Note 6(12))</b>   |         |        |          |  |           |        |           |     |
|      |  | 27,924  | 4      | 14,513   | 2  | 70,784    | 3      | 40,063    | 2   |
|      | <b>Net profit</b>  |         |        |          |  |           |        |           |     |
|      |  | 84,576  | 12     | 57,656   | 9  | 257,539   | 12     | 131,414   | 7   |
| 8300 | <b>Other comprehensive income:</b>   |         |        |          |  |           |        |           |     |
| 8360 | <b>Items that may be reclassified to profit and loss<br/>in subsequent periods</b>                       |         |        |          |  |           |        |           |     |
| 8361 | Exchange differences on the translation of<br>financial statements of foreign operating<br>organizations |         |        |          |  |           |        |           |     |
|      |  | (19)    | -      | 373      | -  | (325)     | -      | (260)     | -   |
| 8399 | Income tax related to items that may be<br>reclassified  |         |        |          |  |           |        |           |     |
|      |  | -       | -      | -        | -  | -         | -      | -         | -   |
|      | <b>Total items that may be reclassified to<br/>profit and loss in subsequent periods</b>                 |         |        |          |  |           |        |           |     |
|      |  | (19)    | -      | 373      | -  | (325)     | -      | (260)     | -   |
| 8300 | <b>Other comprehensive income</b>  |         |        |          |  |           |        |           |     |
|      |  | (19)    | -      | 373      | -  | (325)     | -      | (260)     | -   |
|      | <b>Total comprehensive income</b>  |         |        |          |  |           |        |           |     |
|      | \$   | 84,557  | 12     | 58,029   | 9  | 257,214   | 12     | 131,154   | 7   |
|      | <b>Earnings per share (NTD) (Note 6(14))</b>   |         |        |          |  |           |        |           |     |
|      | <b>Basic earnings per share (NTD)</b>  |         |        |          |  |           |        |           |     |
|      | \$   | 1.38    |        | 0.95     |  | 4.20      |        | 2.15      |     |
|      | <b>Diluted earnings per share (NTD)</b>  |         |        |          |  |           |        |           |     |
|      | \$   | 1.36    |        | 0.93     |  | 4.12      |        | 2.09      |     |

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

**Niko Semiconductor and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the Nine months Ended September 30, 2021 and 2020**  
(Reviewed, not audited)

Unit: NT\$ thousands

|                                      | Equity attributable to owners of parent company |                     |                   |                     |                           | Exchange differences<br>on the translation of<br>foreign operating<br>organizations | Total<br>Equity  |
|--------------------------------------|---|---------------------|-------------------|---------------------|---------------------------|---|------------------|
|                                      | Capital stock of<br>common stock                | Capital<br>reserves | Legal<br>reserves | Special<br>reserves | Undistributed<br>Earnings |   |                  |
| <b>Balance on January 1, 2020</b>    | \$ 612,515                                      | 630,512             | 129,897           | 1,850               | 526,038                   | (3,594)   | 1,897,218        |
| Net profit                           | -   | -                   | -                 | -                   | 131,414                   | -   | 131,414          |
| Other comprehensive income           | -   | -                   | -                 | -                   | -                         | (260)   | (260)            |
| Total comprehensive income           | -   | -                   | -                 | -                   | 131,414                   | (260)   | 131,154          |
| Withdrawn legal reserves             | -   | -                   | 19,116            | -                   | (19,116)                  | -   | -                |
| Withdrawn special reserves           | -   | -                   | -                 | 1,744               | (1,744)                   | -   | -                |
| Cash dividend of common stock        | -   | -                   | -                 | -                   | (61,252)                  | -   | (61,252)         |
| <b>Balance on September 30, 2020</b> | <b>\$ 612,515</b>                               | <b>630,512</b>      | <b>149,013</b>    | <b>3,594</b>        | <b>575,340</b>            | <b>(3,854)</b>  | <b>1,967,120</b> |
| <b>Balance on January 1, 2021</b>    | \$ 612,515                                      | 630,512             | 149,013           | 3,594               | 629,165                   | (3,306)   | 2,021,493        |
| Net profit                           | -   | -                   | -                 | -                   | 257,539                   | -   | 257,539          |
| Other comprehensive income           | -   | -                   | -                 | -                   | -                         | (325)   | (325)            |
| Total comprehensive income           | -   | -                   | -                 | -                   | 257,539                   | (325)   | 257,214          |
| Withdrawn legal reserves             | -   | -                   | 18,524            | -                   | (18,524)                  | -   | -                |
| Reverse special reserves             | -   | -                   | -                 | (288)               | 288                       | -   | -                |
| Cash dividend of common stock        | -   | -                   | -                 | -                   | (61,252)                  | -   | (61,252)         |
| <b>Balance on September 30, 2021</b> | <b>\$ 612,515</b>                               | <b>630,512</b>      | <b>167,537</b>    | <b>3,306</b>        | <b>807,216</b>            | <b>(3,631)</b>  | <b>2,217,455</b> |

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

**Niko Semiconductor and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Nine months Ended September 30, 2021 and 2020**  
**(Reviewed, not audited)**

|   | <b>Unit: NT\$ thousands</b> |                 |
|---|-----------------------------|-----------------|
|   | <b>For the Nine months</b>  |                 |
|   | <b>Ended September 30,</b>  |                 |
|   | <b>2021</b>                 | <b>2020</b>     |
| <b>Cash flows of operating activities:</b>                                  |                             |                 |
| <b>Current net profit before tax</b>  | \$ 328,323                  | 171,477         |
| <b>Items of adjustment:</b>   |                             |                 |
| Income expense loss item  |                             |                 |
| Depreciation expenses   | 16,245                      | 16,763          |
| Amortization expenses   | 153                         | 152             |
| Expected credit impairment loss (Reversal benefit)                          | 142                         | (180)           |
| Net loss of financial assets by fair value through profit and loss          | 4,094                       | 3,969           |
| Interest expenses   | 60                          | 168             |
| Interest income   | (123)                       | (209)           |
| Share of interests of affiliated enterprises recognized by equity method    | (9,741)                     | (3,641)         |
| Lost on property, plant and equipment retired                               | 91                          | -               |
| Other   | (12,190)                    | 7,488           |
| Total income expense loss item  | (1,269)                     | 24,510          |
| Changes in assets and liabilities related to operating activities:          |                             |                 |
| Accounts receivable(including related parties)                              | (64,243)                    | 191,392         |
| Other receivables   | (12,893)                    | (9,693)         |
| Inventory   | 62,942                      | (50,734)        |
| Other current assets  | (629)                       | (231)           |
| Long-term prepayment  | (69,963)                    | -               |
| Total net changes in assets related to operating activities                 | (84,786)                    | 130,734         |
| Notes payable   | -                           | (25)            |
| Accounts payable(including related parties)                                 | 88,265                      | (42,088)        |
| Expenses payable and other payables   | 75,876                      | 30,820          |
| Other current liabilities   | 3,079                       | (2,004)         |
| Net defined benefit liabilities   | (1,667)                     | (1,650)         |
| Total net changes in liabilities related to operating activities            | 165,553                     | (14,947)        |
| Total net changes in assets and liabilities related to operating activities | 80,767                      | 115,787         |
| Total items of adjustment   | 79,498                      | 140,297         |
| Cash inflow from operations   | 407,821                     | 311,774         |
| Collected interest  | 123                         | 209             |
| Paid interest   | (60)                        | (168)           |
| Paid income tax   | (22,653)                    | (76,156)        |
| <b>Net cash inflow from operating activities</b>                            | <b>385,231</b>              | <b>235,659</b>  |
| <b>Cash flows of investment activities:</b>                                 |                             |                 |
| Property, plant and equipment   | (12,402)                    | (9,397)         |
| Disposal of Property, plant and equipment                                   | 19                          | -               |
| Decrease in deposit   | 5,000                       | 5,007           |
| <b>Net cash outflow from investment activities</b>                          | <b>(7,383)</b>              | <b>(4,390)</b>  |
| <b>Cash flows from financing activities:</b>                                |                             |                 |
| Repayment of lease principal  | (1,758)                     | (2,051)         |
| Distribution of cash dividends  | (61,252)                    | (61,252)        |
| <b>Net cash outflow from financing activities</b>                           | <b>(63,010)</b>             | <b>(63,303)</b> |
| Impact of exchange rate changes on cash and equivalent cash                 | (297)                       | (719)           |
| <b>Current increase of cash and equivalent cash</b>                         | <b>314,541</b>              | <b>167,247</b>  |
| <b>Beginning balance of cash and equivalent cash</b>                        | <b>654,703</b>              | <b>361,180</b>  |
| <b>Ending balance of cash and equivalent cash</b>                           | <b>\$ 969,244</b>           | <b>528,427</b>  |

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

**Niko Semiconductor and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**For the Nine months Ended September 30, 2021 and 2020**  
**(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, New Taipei 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 November 5, 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"

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

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

(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 January 1, 2022, which shall not pose a material impact on the consolidated financial statements.

- 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"

(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 1 “Disclosure of Accounting Policies”
- Amendment to IAS 8 “Definition of Accounting Estimates”
- Amendment to IAS 12 “Deferred tax related to assets and liabilities arising from a single transaction”

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

#### (II) Consolidated basis

Subsidiaries included in this consolidated financial report include:

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

| Name of investment company | Name of subsidiary company                                | Nature of business   | Holding equity percentage |                   |                    | Explanation |
|----------------------------|---|--|---------------------------|-------------------|--------------------|-------------|
|                            |   |  | September 30, 2021        | December 31, 2020 | September 30, 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 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:

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

### 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

|                             | September 30,<br>2021 | December 31,<br>2020 | September 30,<br>2020 |
|-----------------------------|-----------------------|----------------------|-----------------------|
| Cash on hand and petty cash | \$ 231                | 270                  | 326                   |
| Checks and demand deposits  | 969,013               | 654,433              | 528,101               |
|                             | <u>\$ 969,244</u>     | <u>654,703</u>       | <u>528,427</u>        |

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

|                                    | September 30,<br>2021 | December 31,<br>2020 | September 30,<br>2020 |
|------------------------------------|-----------------------|----------------------|-----------------------|
| Non-hedging derivative instruments |                       |                      |                       |
| Exchange transaction contract      | \$ (280)              | 3,814                | 3,707                 |

1. As at September 30, 2021 and December 31 and September 30 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:

| September 30, 2021                             |   |  |                      |
|--|---|--|----------------------|
| <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\$ 34,710                               | October 6, 2021~<br>November 10, 2021  | 27.661~27.957        |
| Exchange transaction contract-US\$ in/NT\$ out | US\$ 11,770                               | October 29, 2021~<br>November 30, 2021 | 27.573~27.848        |

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

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

| September 30, 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\$                                      | 28,480 | October 6, 2020~<br>November 5, 2020  | 28.926~29.494        |
| Exchange transaction contract-US\$ in/NT\$ out | US\$                                      | 12,460 | October 12, 2020~<br>October 29, 2020 | 29.194~29.265        |

### (III) Accounts receivable (including related parties)

|                                     | <u>September 30,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>September 30,<br/>2020</u> |
|-------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Accounts receivable                 | \$ 905,386                    | 823,872                      | 866,383                       |
| Accounts receivable-Related parties | 58,859                        | 76,130                       | 43,198                        |
| Less: allowance for losses          | <u>(1,258)</u>                | <u>(1,116)</u>               | <u>(1,097)</u>                |
|                                     | <u><b>\$ 962,987</b></u>      | <u><b>898,886</b></u>        | <u><b>908,484</b></u>         |

- 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>September 30, 2021</u>                     |   |   |
|----------------------|---|---|---|
|                      | <u>Book amount of<br/>accounts receivable</u> | <u>Weighted<br/>average expected<br/>credit loss rate</u> | <u>Expected credit loss<br/>during allowance<br/>duration</u> |
| Not overdue          | \$ 957,067                                    | 0.1%~0.2%   | 1,140   |
| 1~30 days overdue    | 7,178   | 1%~2%   | 118   |
| 31~90 days overdue   | -   | 10%~50%   | -   |
| 91~180 days overdue  | -   | 50%~70%   | -   |
| 181~360 days overdue | -   | 100%  | -   |
|                      | <u><b>\$ 964,245</b></u>                      |   | <u><b>1,258</b></u>   |

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

|                      | December 31, 2020                     |  |  |
|----------------------|---------------------------------------|--|--|
|                      | Book amount of<br>accounts receivable | Weighted<br>average expected<br>credit loss rate | Expected credit loss<br>during allowance<br>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%   | -  |
|                      | <b><u>\$ 900,002</u></b>              |  | <b><u>1,116</u></b>                                  |

|                      | September 30, 2020                    |  |  |
|----------------------|---------------------------------------|--|--|
|                      | Book amount of<br>accounts receivable | Weighted<br>average expected<br>credit loss rate | Expected credit loss<br>during allowance<br>duration |
| Not overdue          | \$ 908,400                            | 0.1%~0.2%  | 1,085  |
| 1~30 days overdue    | 1,181                                 | 1%~2%  | 12   |
| 31~90 days overdue   | -                                     | 10%~50%  | -  |
| 91~180 days overdue  | -                                     | 50%~70%  | -  |
| 181~360 days overdue | -                                     | 100%   | -  |
|                      | <b><u>\$ 909,581</u></b>              |  | <b><u>1,097</u></b>                                  |

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

|   | For the Nine months Ended September 30, |                     |
|---|---|---------------------|
|   | 2021                                    | 2020                |
| Balance at beginning of period          | \$ 1,116                                | 1,277               |
| Impairment losses recognized (reversed) | 142                                     | (180)               |
| Balance at end of period                | <b><u>\$ 1,258</u></b>                  | <b><u>1,097</u></b> |

3. As of September 30, 2021, December 31 and September 30 of 2020, the Accounts receivable of the merged company has not been provided as pledge guarantee.

### (IV) Inventory

|                                       | September 30,<br>2021    | December 31,<br>2020  | September 30,<br>2020 |
|---------------------------------------|--------------------------|-----------------------|-----------------------|
| Raw materials                         | \$ 54,862                | 49,521                | 56,560                |
| In-process and semi-finished products | 210,591                  | 219,250               | 252,686               |
| Finished products and goods           | 105,804                  | 153,273               | 229,139               |
|                                       | <b><u>\$ 371,257</u></b> | <b><u>422,044</u></b> | <b><u>538,385</u></b> |

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)

|   | For the Three months Ended<br>September 30, |              | For the Nine months Ended<br>September 30, |              |
|---|---|--------------|--|--------------|
|   | 2021  | 2020         | 2021                                       | 2020         |
| Inventory depreciation and<br>obsolescence loss<br>(Reversal benefit) | \$ <u>1,583</u>                             | <u>1,345</u> | <u>(12,155)</u>                            | <u>7,488</u> |

2. As of September 30, 2021, December 31 and September 30 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:

|                       | September 30,<br>2021 | December 31,<br>2020 | September 30,<br>2020 |
|-----------------------|-----------------------|----------------------|-----------------------|
| Associated enterprise | \$ <u>81,752</u>      | <u>71,754</u>        | <u>69,585</u>         |

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

|   | For the Three months<br>Ended September 30, |              | For the Nine months<br>Ended September 30, |              |
|---|---|--------------|--|--------------|
|   | 2021  | 2020         | 2021                                       | 2020         |
| Share of profit of related venture<br>using equity method | \$ <u>4,655</u>                             | <u>2,566</u> | <u>9,741</u>                               | <u>3,641</u> |

2. As of September 30, 2021, December 31 and September 30 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 depreciation of the merged company's property, plant and equipment are as follows:

|                                    | Land              | Houses and<br>building | Office<br>equipment<br>and other | Equipment<br>to be<br>inspected | Total          |
|------------------------------------|-------------------|------------------------|----------------------------------|---------------------------------|----------------|
| Costs:                             |                   |                        |                                  |                                 |                |
| Balance on January 1, 2021         | \$ 161,823        | 119,805                | 83,949                           | 1,538                           | 367,115        |
| Increase                           | -                 | 260                    | 4,447                            | 7,695                           | 12,402         |
| Reclassified into (out)            | -                 | -                      | 647                              | (647)                           | -              |
| Disposal                           | -                 | -                      | (2,344)                          | -                               | (2,344)        |
| Impact of exchange rate<br>changes | -                 | (45)                   | (282)                            | -                               | (327)          |
| Balance on September 30,<br>2021   | \$ <u>161,823</u> | <u>120,020</u>         | <u>86,417</u>                    | <u>8,586</u>                    | <u>376,846</u> |
| Balance on January 1, 2020         | \$ 161,823        | 126,765                | 72,172                           | 100                             | 360,860        |
| Increase                           | -                 | 1,216                  | 5,684                            | 2,497                           | 9,397          |
| Reclassified into (out)            | -                 | -                      | 100                              | (100)                           | -              |
| Disposal                           | -                 | (7,920)                | (996)                            | -                               | (8,916)        |
| Impact of exchange rate<br>changes | -                 | (23)                   | (142)                            | -                               | (165)          |
| Balance on September 30,<br>2020   | \$ <u>161,823</u> | <u>120,038</u>         | <u>76,818</u>                    | <u>2,497</u>                    | <u>361,176</u> |

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

|                                 |    |                |               |               |              |                |
|---------------------------------|----|----------------|---------------|---------------|--------------|----------------|
| Accumulated depreciation:       |    |                |               |               |              |                |
| Balance on January 1, 2021      | \$ | -              | 33,119        | 39,967        | -            | 73,086         |
| Depreciation this year          |    | -              | 2,869         | 11,228        | -            | 14,097         |
| Disposal                        |    | -              | -             | (2,253)       | -            | (2,253)        |
| Impact of exchange rate changes |    | -              | (45)          | (239)         | -            | (284)          |
| Balance on September 30, 2021   | \$ | -              | <u>35,943</u> | <u>48,703</u> | -            | <u>84,646</u>  |
| Balance on January 1, 2020      | \$ | -              | 35,538        | 27,951        | -            | 63,489         |
| Depreciation this year          |    | -              | 4,879         | 9,361         | -            | 14,240         |
| Disposal                        |    | -              | (7,920)       | (996)         | -            | (8,916)        |
| Impact of exchange rate changes |    | -              | (22)          | (115)         | -            | (137)          |
| Balance on September 30, 2020   | \$ | -              | <u>32,475</u> | <u>36,201</u> | -            | <u>68,676</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> |
| September 30, 2021              | \$ | <u>161,823</u> | <u>84,077</u> | <u>37,714</u> | <u>8,586</u> | <u>292,200</u> |
| January 1, 2020                 | \$ | <u>161,823</u> | <u>91,227</u> | <u>44,221</u> | <u>100</u>   | <u>297,371</u> |
| September 30, 2020              | \$ | <u>161,823</u> | <u>87,563</u> | <u>40,617</u> | <u>2,497</u> | <u>292,500</u> |

As of September 30, 2021, December 31 and September 30 of 2020, 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

|                    |  |                             |
|--------------------|--|-----------------------------|
|                    |  | <u>Houses and buildings</u> |
| <b>Book value:</b> |  |                             |
| January 1, 2021    |  | <u>\$ 2,877</u>             |
| September 30, 2021 |  | <u>\$ 447</u>               |
| January 1, 2020    |  | <u>\$ 5,368</u>             |
| September 30, 2020 |  | <u>\$ 3,508</u>             |

Between January 1 to September 30, 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.

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

|                               | <u>Land</u>      | <u>Houses and<br/>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 September 30, 2021 | \$ <u>48,068</u> | <u>23,660</u>                  | <u>71,728</u> |
| Balance on January 1, 2020    | \$ <u>48,068</u> | <u>24,722</u>                  | <u>72,790</u> |
| Balance on September 30, 2020 | \$ <u>48,068</u> | <u>24,267</u>                  | <u>72,335</u> |

- Between January 1 to September 30, 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.
- 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>September 30,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>September 30,<br/>2020</u> |
|-------------|-------------------------------|------------------------------|-------------------------------|
| Current     | \$ <u>477</u>                 | <u>3,008</u>                 | <u>2,899</u>                  |
| Non-current | \$ <u>-</u>                   | <u>-</u>                     | <u>747</u>                    |

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

|   | <u>For the Three months<br/>Ended September 30,</u> |             | <u>For the Nine months<br/>Ended September 30,</u> |             |
|---|---|-------------|--|-------------|
|   | <u>2021</u>   | <u>2020</u> | <u>2021</u>  | <u>2020</u> |
| Interest expense on lease liabilities                     | \$ <u>10</u>  | <u>48</u>   | <u>60</u>  | <u>168</u>  |
| Rental charges for short-term leases and low-value assets | \$ <u>196</u>                                       | <u>229</u>  | <u>577</u>   | <u>600</u>  |

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

|   | <u>For the Nine months<br/>Ended September 30,</u> |                |
|---|--|----------------|
|   | <u>2021</u>  | <u>2020</u>    |
| Rental payments for operating activities                        | \$ (577)   | (600)          |
| Interest payments on lease liabilities for operating activities | (60)   | (168)          |
| Repayment of lease principal for financing activities           | <u>(1,758)</u>                                     | <u>(2,051)</u> |
| Total cash outflow from leases                                  | \$ <u>(2,395)</u>                                  | <u>(2,819)</u> |

- 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.



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

### 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:

|                             | <u>September 30,</u><br><u>2021</u> | <u>December 31,</u><br><u>2020</u> | <u>September 30,</u><br><u>2020</u> |
|-----------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| Less than 1 year            | \$ 2,869                            | 2,864                              | 2,869                               |
| 1 to 2 years                | 1,190                               | 3,333                              | 4,048                               |
| 2 to 3 years                | -                                   | -                                  | -                                   |
| 3 to 4 years                | -                                   | -                                  | -                                   |
| 4 to 5 years                | -                                   | -                                  | -                                   |
| More than 5 years           | -                                   | -                                  | -                                   |
| Total undiscounted payments | <u>\$ 4,059</u>                     | <u>6,197</u>                       | <u>6,917</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, 2020 and 2019 to measure and disclose the pension costs during the interim period.

|                                   | <u>For the Three months</u><br><u>Ended September 30,</u> |             | <u>For the Nine months</u><br><u>Ended September 30,</u> |             |
|-----------------------------------|---|-------------|--|-------------|
|                                   | <u>2021</u>   | <u>2020</u> | <u>2021</u>  | <u>2020</u> |
| Operating costs                   | \$ 11   | 11          | 32   | 33          |
| Selling expenses                  | 7   | 8           | 22   | 24          |
| Administrative expenses           | 85  | 90          | 255  | 268         |
| Research and development expenses | <u>10</u>   | <u>11</u>   | <u>31</u>  | <u>33</u>   |
|                                   | <u>\$ 113</u>   | <u>120</u>  | <u>340</u>   | <u>358</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.

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

|                                      | For the Three months<br>Ended September 30, |              | For the Nine months<br>Ended September 30, |              |
|--------------------------------------|---|--------------|--|--------------|
|                                      | 2021  | 2020         | 2021                                       | 2020         |
| Operating costs                      | \$ 458                                      | 410          | 1,372                                      | 1,247        |
| Selling expenses                     | 328   | 192          | 911  | 611          |
| Administrative expenses              | 450   | 411          | 1,491                                      | 1,253        |
| Research and development<br>expenses | 593   | 469          | 1,766                                      | 1,595        |
|                                      | <u>\$ 1,829</u>                             | <u>1,482</u> | <u>5,540</u>                               | <u>4,706</u> |

### (XII) Tax

- Details of tax expenses of the merged company are as follows:

|                     | For the Three months<br>Ended September 30, |        | For the Nine months<br>Ended September 30, |        |
|---------------------|---|--------|--|--------|
|                     | 2021  | 2020   | 2021                                       | 2020   |
| Current tax expense | \$ 27,924                                   | 14,513 | 70,784                                     | 40,063 |

- The merged Company's tax expenses of equity have not been recognized directly in July 1 to September 30 of 2021 and 2020, and January 1 to September 30 of 2021 and 2020.
- The merged Company's tax expenses under other comprehensive profit and loss have not been recognized in July 1 to September 30 of 2021 and 2020, and January 1 to September 30 of 2021 and 2020.
- The merged Company's profit-making enterprise tax settlement declaration has been approved by the tax collection authority as follows:

|                    | Approved Year             |
|--------------------|---------------------------|
| The Company        | Has been approved to 2019 |
| Jinrong Investment | Has been approved to 2019 |

### (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 September 30 of 2021 and 2020. For relevant information, please refer to Note 6 (13) of the consolidated financial report of 2020.

- 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.

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

### 2. Distribution of earnings

The Company's motion for earnings distribution for 2020 and 2019 resolved by the shareholders' meeting on August 24 2021 and June 10, 2020, the dividends distributed to owners is as follows:

|                               | 2020                        |               | 2019                        |               |
|-------------------------------|-----------------------------|---------------|-----------------------------|---------------|
|                               | Share allotment rate (yuan) | Amount        | Share allotment rate (yuan) | Amount        |
| 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:

|   | For the Three months Ended September 30, |               | For the Nine months Ended September 30, |                |
|---|--|---------------|---|----------------|
|   | 2021                                     | 2020          | 2021                                    | 2020           |
| <b>Basic earnings per share:</b>  |  |               |   |                |
| Current net profit attributable to the Company  | \$ <u>84,576</u>                         | <u>57,656</u> | <u>257,539</u>                          | <u>131,414</u> |
| Weighted average number of ordinary shares in circulation(thousand shares)                    | <u>61,252</u>                            | <u>61,252</u> | <u>61,252</u>                           | <u>61,252</u>  |
| Earnings per share (yuan)   | \$ <u>1.38</u>                           | <u>0.95</u>   | <u>4.20</u>                             | <u>2.15</u>    |
| <b>Dilute earnings per share:</b>   |  |               |   |                |
| Current net profit attributable to the Company  | \$ <u>84,576</u>                         | <u>57,656</u> | <u>257,539</u>                          | <u>131,414</u> |
| Weighted average number of ordinary shares in circulation(thousand shares)(dilution)          | <u>62,173</u>                            | <u>62,120</u> | <u>62,451</u>                           | <u>62,741</u>  |
| Earnings per share (yuan)   | \$ <u>1.36</u>                           | <u>0.93</u>   | <u>4.12</u>                             | <u>2.09</u>    |
| <b>Weighted average number of ordinary shares in circulation (thousand shares)(dilution):</b> |  |               |   |                |
| Weighted average number of ordinary shares in circulation (basic)                             | 61,252                                   | 61,252        | 61,252                                  | 61,252         |
| Impact of employee stock remuneration   | <u>921</u>                               | <u>868</u>    | <u>1,199</u>                            | <u>1,489</u>   |
| Weighted average number of ordinary shares in circulation (dilution)                          | <u>62,173</u>                            | <u>62,120</u> | <u>62,451</u>                           | <u>62,741</u>  |

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

### (XV) Revenue from customer contracts

#### 1. Breakdown of income

|                         | For the Three months<br>Ended September 30, |                | For the Nine months<br>Ended September 30, |                  |
|-------------------------|---|----------------|--|------------------|
|                         | 2021  | 2020           | 2021                                       | 2020             |
| Major regional markets: |   |                |  |                  |
| Taiwan                  | \$ 214,885                                  | 206,279        | 598,193                                    | 591,312          |
| Mainland China          | 471,275                                     | 438,504        | 1,508,459                                  | 1,178,761        |
| Other countries         | 8,268                                       | 10,459         | 25,127                                     | 31,290           |
|                         | <u>\$ 694,428</u>                           | <u>655,242</u> | <u>2,131,779</u>                           | <u>1,801,363</u> |
| Main products:          |   |                |  |                  |
| Power MOSFET            | \$ 660,200                                  | 593,204        | 1,958,692                                  | 1,655,501        |
| Power Management IC     | 3,018                                       | 19,520         | 14,166                                     | 50,037           |
| Other                   | 31,210                                      | 42,518         | 158,921                                    | 95,825           |
|                         | <u>\$ 694,428</u>                           | <u>655,242</u> | <u>2,131,779</u>                           | <u>1,801,363</u> |

#### 2. Contract balance

|   | September 30,<br>2021 | December 31,<br>2020 | September 30,<br>2020 |
|---|-----------------------|----------------------|-----------------------|
| Accounts receivable (including related parties) | \$ 964,245            | 900,002              | 909,581               |
| Less: allowance for losses                      | (1,258)               | (1,116)              | (1,097)               |
| Total   | <u>\$ 962,987</u>     | <u>898,886</u>       | <u>908,484</u>        |

Please refer to Note 6 (3) for details of disclosure of Accounts receivable (including related parties) 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 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 estimation of employee remuneration and supervisor remuneration for the three and nine months ended September 30, 2021 and 2020 is as follows:

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

|                         | For the Three months<br>Ended September 30, |               | For the Nine months<br>Ended September 30, |               |
|-------------------------|---|---------------|--|---------------|
|                         | 2021  | 2020          | 2021                                       | 2020          |
| Employee remuneration   | \$ 21,050                                   | 13,538        | 61,502                                     | 32,038        |
| Supervisor remuneration | 7,017                                       | 4,512         | 20,501                                     | 10,679        |
| Total                   | <u>\$ 28,067</u>                            | <u>18,050</u> | <u>82,003</u>                              | <u>42,717</u> |

Employee remuneration and supervisor remuneration are 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 estimated 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 months<br>Ended September 30, |       | For the Nine months<br>Ended September 30, |       |
|--------------|---|-------|--|-------|
|              | 2021  | 2020  | 2021                                       | 2020  |
| Other income | \$ 2,138                                    | 1,554 | 5,510                                      | 3,654 |

#### 2. Other profit or loss

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

|  | For the Three months<br>Ended September 30, |                 | For the Nine months<br>Ended September 30, |                 |
|--|---|-----------------|--|-----------------|
|  | 2021  | 2020            | 2021                                       | 2020            |
| Foreign currency exchange loss, net  | \$ (4,412)                                  | (13,959)        | (8,995)                                    | (31,058)        |
| Net profits (losses) of financial assets(liabilities) at fair value through profit or loss | 6,246                                       | (739)           | (280)                                      | 3,707           |
| Other profit or loss   | (211)                                       | (184)           | (573)                                      | (823)           |
|  | <u>\$ 1,623</u>                             | <u>(14,882)</u> | <u>(9,848)</u>                             | <u>(28,174)</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 months<br>Ended September 30, |           | For the Nine months<br>Ended September 30, |            |
|------------------|---|-----------|--|------------|
|                  | 2021  | 2020      | 2021                                       | 2020       |
| Interest expense | <u>\$ 10</u>                                | <u>48</u> | <u>60</u>                                  | <u>168</u> |

### (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 September 30, 2021 and December 31 and September 30 of 2020, the merged company received 47%, 36% and 39% 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<br>amount    | Contracted<br>cash flow | Within 6<br>months | 6-12<br>months | 1-2 years | 2-5 years | More than<br>5 years |
|---|-------------------|-------------------------|--------------------|----------------|-----------|-----------|----------------------|
| <b>September 30, 2021</b>                       |                   |                         |                    |                |           |           |                      |
| Non-derivative financial liabilities            |                   |                         |                    |                |           |           |                      |
| Accounts payable (including<br>related parties) | \$ 362,783        | 362,783                 | 362,783            | -              | -         | -         | -                    |
| Expenses payable and other<br>accounts payable  | 210,535           | 210,535                 | 210,535            | -              | -         | -         | -                    |
| Lease liabilities                               | 477               | 481                     | 481                | -              | -         | -         | -                    |
| Derivative financial liabilities                | 280               |                         |                    |                |           |           |                      |
| Outflow   | -                 | 1,291,961               | 1,291,961          | -              | -         | -         | -                    |
| Inflow  | -                 | (1,291,681)             | (1,291,681)        | -              | -         | -         | -                    |
|   | <u>\$ 574,075</u> | <u>574,079</u>          | <u>574,079</u>     | <u>-</u>       | <u>-</u>  | <u>-</u>  | <u>-</u>             |

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

|  | <u>Book amount</u> | <u>Contracted cash flow</u> | <u>Within 6 months</u> | <u>6-12 months</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>More than 5 years</u> |
|--|--------------------|-----------------------------|------------------------|--------------------|------------------|------------------|--------------------------|
| <b>December 31, 2020</b>                     |                    |                             |                        |                    |                  |                  |                          |
| Non-derivative financial liabilities         |                    |                             |                        |                    |                  |                  |                          |
| Accounts payable (including related parties) | \$ 274,518         | 274,518                     | 274,518                | -                  | -                | -                | -                        |
| 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>                 |
| <b>September 30, 2020</b>                    |                    |                             |                        |                    |                  |                  |                          |
| Non-derivative financial liabilities         |                    |                             |                        |                    |                  |                  |                          |
| Accounts payable (including related parties) | \$ 309,104         | 309,104                     | 309,104                | -                  | -                | -                | -                        |
| Expenses payable and other accounts payable  | 173,431            | 173,431                     | 173,431                | -                  | -                | -                | -                        |
| Lease liabilities                            | 3,646              | 3,762                       | 1,505                  | 1,505              | 752              | -                | -                        |
|  | <u>\$ 486,181</u>  | <u>486,297</u>              | <u>484,040</u>         | <u>1,505</u>       | <u>752</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:

|                              | <u>September 30, 2021</u> |                      |            | <u>December 31, 2020</u> |                      |            | <u>September 30, 2020</u> |                      |            |
|------------------------------|---------------------------|----------------------|------------|--------------------------|----------------------|------------|---------------------------|----------------------|------------|
|                              | <u>Foreign currency</u>   | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u>  | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u>   | <u>Exchange rate</u> | <u>NTD</u> |
| <u>Financial assets</u>      |                           |                      |            |                          |                      |            |                           |                      |            |
| <u>Monetary items</u>        |                           |                      |            |                          |                      |            |                           |                      |            |
| USD                          | \$ 38,619                 | 27.850               | 1,075,539  | 33,715                   | 28.480               | 960,216    | 36,246                    | 29.100               | 1,054,772  |
| <u>Financial liabilities</u> |                           |                      |            |                          |                      |            |                           |                      |            |
| <u>Monetary items</u>        |                           |                      |            |                          |                      |            |                           |                      |            |
| USD                          | 13,236                    | 27.850               | 368,634    | 9,867                    | 28.480               | 281,000    | 10,808                    | 29.100               | 314,503    |

The exchange rate risk of the merged company mainly comes from cash denominated in foreign currency and equivalent cash, accounts receivable and other receivables, accounts payable, expenses payable and other payables, etc. Foreign currency exchange gains and losses are generated during conversion. On September 30, 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 September 30 of 2021 and 2020 will increase or decrease by NT\$ 7,069 thousands and NT\$ 7,403 thousands respectively. The two phases of analysis adopt the same basis.

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

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:

| <u>Functional<br/>currency</u> | For the Three months Ended September 30, |                             |                                 |                             | For the Nine months Ended September 30, |                             |                                 |                             |
|--------------------------------|--|-----------------------------|---------------------------------|-----------------------------|---|-----------------------------|---------------------------------|-----------------------------|
|                                | 2021                                     |                             | 2020                            |                             | 2021                                    |                             | 2020                            |                             |
|                                | Exchange<br>gains and<br>losses          | Average<br>exchange<br>rate | Exchange<br>gains and<br>losses | Average<br>exchange<br>rate | Exchange<br>gains and<br>losses         | Average<br>exchange<br>rate | Exchange<br>gains and<br>losses | Average<br>exchange<br>rate |
| NTD                            | \$ (4,428)                               | 1                           | (13,513)                        | 1                           | (8,885)                                 | 1                           | (31,464)                        | 1                           |
| RMB                            | 16                                       | 4.306                       | (446)                           | 4.257                       | (110)                                   | 4.337                       | 406                             | 4.259                       |
|                                | <u>\$ (4,412)</u>                        |                             | <u>(13,959)</u>                 |                             | <u>(8,995)</u>                          |                             | <u>(31,058)</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 amount and fair value of the financial assets and financial liabilities of the merged company (including fair value grade information, but if the book amount of financial instruments not measured by fair value is a reasonable approximation of fair value and lease liabilities, fair value information need not be disclosed according to regulations) are shown as follows:

|   | <u>Book amount</u>  | September 30, 2021 |                |                | <u>Total</u> |
|---|---------------------|--------------------|----------------|----------------|--------------|
|   |                     | <u>Fair value</u>  |                |                |              |
|   |                     | <u>Level 1</u>     | <u>Level 2</u> | <u>Level 3</u> |              |
| <b>Financial assets at amortized cost :</b>                                 |                     |                    |                |                |              |
| Cash and equivalent cash  | \$ 969,244          |                    |                |                |              |
| Accounts receivable (including related parties)                             | 962,987             |                    |                |                |              |
| Other accounts receivable   | 23,665              |                    |                |                |              |
| Restricted bank deposits  | 3,744               |                    |                |                |              |
| Refundable deposits   | 10,077              |                    |                |                |              |
| Total   | <u>\$ 1,969,717</u> |                    |                |                |              |
| <b>Financial liabilities at fair value through profit or loss - Current</b> |                     |                    |                |                |              |
|   | <u>\$ 280</u>       | <u>-</u>           | <u>-</u>       | <u>280</u>     | <u>280</u>   |
| <b>Financial liabilities at amortized cost :</b>                            |                     |                    |                |                |              |
| Accounts payable (including related parties)                                | \$ 362,783          |                    |                |                |              |
| Expenses payable and other accounts payable                                 | 210,535             |                    |                |                |              |
| Lease liabilities   | 477                 |                    |                |                |              |
| Total   | <u>\$ 573,795</u>   |                    |                |                |              |



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

|  | December 31, 2020   |            |         |              |              |
|--|---------------------|------------|---------|--------------|--------------|
|  | Book amount         | Fair value |         |              | Total        |
|  |                     | Level 1    | Level 2 | Level 3      |              |
| <b>Financial assets at fair value through profit or loss - Current</b> | <b>\$ 3,814</b>     | -          | -       | <b>3,814</b> | <b>3,814</b> |
| <b>Financial assets at amortized cost :</b>                            |                     |            |         |              |              |
| 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  | 15,077              |            |         |              |              |
| Total  | <b>\$ 1,583,182</b> |            |         |              |              |
| <b>Financial liabilities at amortized cost :</b>                       |                     |            |         |              |              |
| Accounts payable (including related parties)                           | \$ 274,518          |            |         |              |              |
| Expenses payable and other accounts payable                            | 134,403             |            |         |              |              |
| Lease liabilities  | 3,008               |            |         |              |              |
| Total  | <b>\$ 411,929</b>   |            |         |              |              |

|  | September 30, 2020  |            |         |              |              |
|--|---------------------|------------|---------|--------------|--------------|
|  | Book amount         | Fair value |         |              | Total        |
|  |                     | Level 1    | Level 2 | Level 3      |              |
| <b>Financial assets at fair value through profit or loss - Current</b> | <b>\$ 3,707</b>     | -          | -       | <b>3,707</b> | <b>3,707</b> |
| <b>Financial assets at amortized cost :</b>                            |                     |            |         |              |              |
| Cash and equivalent cash   | \$ 528,427          |            |         |              |              |
| Accounts receivable (including related parties)                        | 908,484             |            |         |              |              |
| Other accounts receivable  | 23,749              |            |         |              |              |
| Refundable deposits  | 15,065              |            |         |              |              |
| Total  | <b>\$ 1,475,725</b> |            |         |              |              |
| <b>Financial liabilities at amortized cost :</b>                       |                     |            |         |              |              |
| Accounts payable (including related parties)                           | \$ 309,104          |            |         |              |              |
| Expenses payable and other accounts payable                            | 3,646               |            |         |              |              |
| Lease liabilities  | <b>\$ 486,181</b>   |            |         |              |              |
| Total  |                     |            |         |              |              |

### (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.

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

(3) There was no transfer of fair value hierarchy from January 1 to September 30 of 2021 and 2020.

(4) Schedule of Level 3 changes

|                              | <u>Financial assets/<br/>liabilities at fair value<br/>through profit or loss</u> |
|------------------------------|---|
| January 1, 2021              | \$ 3,814  |
| Purchase/disposal/settlement | (3,814)   |
| Recognized in profit or loss | <u>(280)</u>  |
| September 30, 2021           | <u><b>\$ (280)</b></u>  |
| January 1, 2020              | \$ 7,676  |
| Purchase/disposal/settlement | (7,676)   |
| Recognized in profit or loss | <u>3,707</u>  |
| September 30, 2020           | <u><b>\$ 3,707</b></u>  |

The above total profits or losses are reported in series as Other profits and losses. Among them, the assets or liabilities held as at September 30, 2021 and 2020 are as follows:

|   | <u>September 30,<br/>2021</u> | <u>September 30,<br/>2020</u> |
|---|-------------------------------|-------------------------------|
| Total profits or losses   |                               |                               |
| Recognized in profit or loss (reported in “Other profits and losses”) | <u><b>\$ (280)</b></u>        | <u><b>3,707</b></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.

(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.

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

### (XXI) Changes in liabilities from financial activities

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

|   | January 1,<br>2021 | Cash flows     | Changes of<br>non-cash | September 30,<br>2021 |
|---|--------------------|----------------|------------------------|-----------------------|
| Lease liabilities                           | \$ 3,008           | (1,758)        | (773)                  | 477                   |
| Total liabilities from financial activities | <u>\$ 3,008</u>    | <u>(1,758)</u> | <u>(773)</u>           | <u>477</u>            |
|   | January 1,<br>2020 | Cash flows     | Changes of<br>non-cash | September 30,<br>2020 |
| Lease liabilities                           | \$ 5,490           | (2,051)        | 207                    | 3,646                 |
| Total liabilities from financial activities | <u>\$ 5,490</u>    | <u>(2,051)</u> | <u>207</u>             | <u>3,646</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)) | "                             |

### (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<br>from related parties |                      |                       |
|------------------------------|---|---------------|--|----------------|---|----------------------|-----------------------|
|                              | For the Three months<br>Ended September 30, |               | For the Nine months<br>Ended September 30, |                | September<br>30, 2021                       | December<br>31, 2020 | September<br>30, 2020 |
|                              | 2021  | 2020          | 2021                                       | 2020           |   |                      |                       |
| Associated enterprises:      |   |               |  |                |   |                      |                       |
| Other associated enterprises | \$ 31,649                                   | 51,519        | 175,925                                    | 116,242        | 58,859                                      | 76,130               | 43,198                |
| Less: allowance for losses   |   |               | -  | -              | (117)                                       | (152)                | (86)                  |
|                              | <u>\$ 31,649</u>                            | <u>51,519</u> | <u>175,925</u>                             | <u>116,242</u> | <u>58,742</u>                               | <u>75,978</u>        | <u>43,112</u>         |

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

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 September 30 of 2021 and 2020 are 90 days, while the average customer is about 30 days to 150 days .

The merged company charged trial production fees of new products from other associated enterprise. As of September 30, 2021, the unearned revenue has been NT\$ 2,632 thousands respectively under other current liabilities.

### 2. Purchase from related parties

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

|                           | Purchase                                 |               |   |               | Accounts payable   |                   |                    |
|---------------------------|--|---------------|---|---------------|--------------------|-------------------|--------------------|
|                           | For the Three months Ended September 30, |               | For the Nine months Ended September 30, |               | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|                           | 2021                                     | 2020          | 2021                                    | 2020          |                    |                   |                    |
| Associated enterprises:   |  |               |   |               |                    |                   |                    |
| Green Solution Technology | \$ 1,944                                 | 14,402        | 10,291                                  | 38,115        | 1,251              | 1,333             | 3,672              |
|                           | <u>\$ 1,944</u>                          | <u>14,402</u> | <u>10,291</u>                           | <u>38,115</u> | <u>1,251</u>       | <u>1,333</u>      | <u>3,672</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 September 30 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

|                                    | Transaction amount                       |               |   |               | Expenses payable and other accounts payable |                   |                    |
|------------------------------------|--|---------------|---|---------------|---|-------------------|--------------------|
|                                    | For the Three months Ended September 30, |               | For the Nine months Ended September 30, |               | September 30, 2021                          | December 31, 2020 | September 30, 2020 |
|                                    | 2021                                     | 2020          | 2021                                    | 2020          |   |                   |                    |
| Other related parties:             |  |               |   |               |   |                   |                    |
| Super Group Semiconductor          |  |               |   |               |   |                   |                    |
| - Product development project fees | \$ 1,900                                 | 3,900         | 7,200                                   | 12,800        | 1,995                                       | 3,780             | 3,900              |
| Super Group Semiconductor          |  |               |   |               |   |                   |                    |
| - Product maintenance fees         | -  | 414           | -                                       | 1,300         | -   | 150               | 123                |
| Super Group Semiconductor          |  |               |   |               |   |                   |                    |
| - Product royalty fees             | 14,846                                   | 13,649        | 43,905                                  | 41,709        | 4,564                                       | 4,130             | 4,719              |
|                                    | <u>\$ 16,746</u>                         | <u>17,963</u> | <u>51,105</u>                           | <u>55,809</u> | <u>6,559</u>                                | <u>8,060</u>      | <u>8,742</u>       |

As of September 30, 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.

## 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                          |            |  |              | Other accounts receivable |                      |                       |
|---------------------------|---|------------|--|--------------|---------------------------|----------------------|-----------------------|
|                           | For the Three months<br>Ended September 30, |            | For the Nine months<br>Ended September 30, |              | September<br>30, 2021     | December<br>31, 2020 | September<br>30, 2020 |
|                           | 2021  | 2020       | 2021                                       | 2020         |                           |                      |                       |
| Associated enterprises:   |   |            |  |              |                           |                      |                       |
| Green Solution Technology | \$ 715                                      | 715        | 2,143                                      | 2,143        | 250                       | 250                  | 250                   |
| Other related parties:    |   |            |  |              |                           |                      |                       |
| Other related parties     | 4   | 4          | 13   | 13           | 6                         | 11                   | 6                     |
|                           | <u>\$ 719</u>                               | <u>719</u> | <u>2,156</u>                               | <u>2,156</u> | <u>256</u>                | <u>261</u>           | <u>256</u>            |

### (III) Main management personnel transactions

Remuneration for main management personnel includes:

|                             | For the Three months<br>Ended September 30, |              | For the Nine months<br>Ended September 30, |               |
|-----------------------------|---|--------------|--|---------------|
|                             | 2021  | 2020         | 2021                                       | 2020          |
| Short-term employee welfare | \$ 10,605                                   | 6,409        | 28,036                                     | 17,406        |
| Post-retirement welfare     | 113   | 119          | 340  | 358           |
| Resignation welfare         | -   | -            | -  | -             |
| Other long-term welfare     | -   | -            | -  | -             |
| Share-based payment         | -   | -            | -  | -             |
|                             | <u>\$ 10,718</u>                            | <u>6,528</u> | <u>28,376</u>                              | <u>17,764</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    | September 30,<br>2021 | December 31,<br>2020 | September 30,<br>2020 |
|----------------------------------|------------------|-----------------------|----------------------|-----------------------|
| 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           | "                | 47,841                | 48,763               | 72,656                |
| Investing property - Land        | "                | 48,068                | 48,068               | 48,068                |
| - Houses and buildings           | "                | 23,660                | 24,115               | 24,267                |
|                                  |                  | <u>\$ 220,707</u>     | <u>222,084</u>       | <u>289,173</u>        |

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

### 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>September 30,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>September 30,<br/>2020</u> |
|-----------------|-------------------------------|------------------------------|-------------------------------|
| Guaranteed bill | <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>September 30,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>September 30,<br/>2020</u> |
|--|-------------------------------|------------------------------|-------------------------------|
| Loan limit and financial commodities trading limit | <u>\$ 1,010,013</u>           | <u>1,018,360</u>             | <u>1,035,305</u>              |

- (III) As of September 30, 2021 and December 31 and September 30 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\$ 26,200 thousands, NT\$ 29,200 thousands and NT\$ 36,100 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 September 30, 2021 and December 31 and September 30 of 2020, the deposit amount has been NT\$ 10,000 thousands, NT\$ 15,000 thousands and NT\$ 15,000 thousands respectively.

- (V) The merged company signed a capacity guarantee purchase contract with the supplier on May 7, 2021, and due to the agreement on the purchase amount, the amount shall be paid in advance. As of September 30, 2021, the prepaid amount has been NT\$ 69,963 thousands respectively under other non-current assets.

**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:

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

| Function                            | For the Three months<br>Ended September 30, 2021 |  |        | For the Three months<br>Ended September 30, 2020 |  |        |
|-------------------------------------|--|--|--------|--|--|--------|
|                                     | Attributable<br>to operating<br>costs            | Attributable<br>to operating<br>expenses | Total  | Attributable<br>to operating<br>costs            | Attributable<br>to operating<br>expenses | Total  |
| Staff welfare expenses              |  |  |        |  |  |        |
| Salary expense                      | 12,354   | 50,950                                   | 63,304 | 10,629   | 44,775                                   | 55,404 |
| Labor and health insurance expenses | 859  | 1,937                                    | 2,796  | 801  | 1,966                                    | 2,767  |
| Pension expenses                    | 468  | 1,474                                    | 1,942  | 421  | 1,181                                    | 1,602  |
| Other employee welfare expenses     | 633  | 1,493                                    | 2,126  | 590  | 1,570                                    | 2,160  |
| Depreciation expense                | 1,401  | 3,944                                    | 5,345  | 1,911  | 3,773                                    | 5,684  |
| Amortization expense                | -  | 52                                       | 52     | -  | 46                                       | 46     |

| Function                            | For the Nine months<br>Ended September 30, 2021 |  |         | For the Nine months<br>Ended September 30, 2020 |  |         |
|-------------------------------------|---|--|---------|---|--|---------|
|                                     | Attributable<br>to operating<br>costs           | Attributable<br>to operating<br>expenses | Total   | Attributable<br>to operating<br>costs           | Attributable<br>to operating<br>expenses | Total   |
| Staff welfare expenses              |   |  |         |   |  |         |
| Salary expense                      | 35,470  | 157,684                                  | 193,154 | 31,100  | 127,335                                  | 158,435 |
| Labor and health insurance expenses | 2,712   | 6,207                                    | 8,919   | 2,487   | 6,010                                    | 8,497   |
| Pension expenses                    | 1,404   | 4,476                                    | 5,880   | 1,280   | 3,784                                    | 5,064   |
| Other employee welfare expenses     | 1,836   | 4,306                                    | 6,142   | 1,707   | 4,372                                    | 6,079   |
| Depreciation expense                | 4,183   | 12,062                                   | 16,245  | 5,696   | 11,067                                   | 16,763  |
| Amortization expense                | -   | 153                                      | 153     | -   | 152                                      | 152     |

### 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 September 30 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.

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

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:

| Companies that purchase (sell) goods | Transaction object                   | Relationship          | Transaction situation |           |                                      |                           | The circumstances and reasons for the difference between transaction conditions and general transaction |   | Notes and accounts receivable (payable) |   | Remarks |
|--------------------------------------|--------------------------------------|-----------------------|-----------------------|-----------|--------------------------------------|---------------------------|---|---|---|---|---------|
|                                      |                                      |                       | Purchase (sell) goods | Amount    | Proportion of total purchase (sales) | Credit period             | Unit price  | Credit period   | Balance                                 | Proportion of total notes and accounts receivable (payable) |         |
| The Company                          | WUXI U-NIKC-Semiconductor Corp. Ltd. | Affiliated enterprise | (Sell) goods          | (111,263) | 5.22 %                               | 90 days for monthly close | -   | 30 days for monthly close ~ 120 days for next monthly close | 26,218                                  | 2.72%   |         |

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 For the Nine months Ended September 30, 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  | 2,284  | Before the 25th of the following month | 0.11%  |
| 0   | "                      | "   | Transactions between parent company and subsidiary | Operating expenses                                       | 18,199 | "                                      | 0.85%  |
| 0   | "                      | "   | Transactions between parent company and subsidiary | Expenses payable   | 819    | "                                      | 0.03%  |
| 1   | Power Up Tech Co. Ltd. | Wuxi Super GEM Microelectronics Co., Ltd. | Inter-subsidiary transactions                      | Operating costs  | 19,978 | "                                      | 0.94%  |
| 1   | "                      | "   | Inter-subsidiary transactions                      | Expenses payable   | 791    | "                                      | 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 September 30 of 2021 is as follows (excluding mainland China invested companies):



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

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% | 81,956      | 9,454                                    | 9,454   | Note 1 |
| "                            | Power Up Tech Co., Ltd.             | Samoa  | Holding company   | 30,744                     | 30,744           | 1,930,000     | 100.00% | 36,584      | 1,221                                    | 1,221   | "      |
| 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%  | 82,024      | 71,585                                   | 10,765  | Note 2 |

Note 1: The Company's subsidiary. It has been written off when preparing the consolidated financial report.

Note 2: The Company's affiliated enterprise.

### (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  | 1,682                                    | 100.00%   | 1,682   | 20,335                         | -   |

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                               | 1,330,473  |

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 September 30 of 2021 and 2020 were NT\$ 19,978 thousands and NT\$ 30,331 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%              |

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

### XIV. Department Information

#### (I) General information

The main revenue of the merged company comes from the sales of power MOSFET. 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 September 30 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.