

**NIKO SEMICONDUCTOR CO., LTD. AND
SUBSIDIARIES CONSOLIDATED FINANCIAL
STATEMENTS WITH REPORT OF
INDEPENDENT AUDITORS
FOR THE SIX MONTHS
ENDED JUNE 30, 2020 AND 2019**

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

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

Independent Accountant's Review Report

The Board of Directors and Shareholders

Niko Semiconductor:

Introduction

We have reviewed the accompanying consolidated balance sheets of Niko Semiconductor and its subsidiaries (collectively, the “Company”) as of June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended June 30, 2020 and 2019, and the related notes to the consolidated financial statement, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). 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 of Review

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 June 30, 2020 and 2019 were NT\$ 113,369 thousands and NT\$ 111,560 thousands respectively, accounting for 4.57% and 4.32% of the total consolidated assets respectively. The total liabilities were NT\$ 9,074 thousands and NT\$ 12,769 thousands respectively, accounting for 1.58% and 1.65% of the total consolidated liabilities respectively. The absolute value of the consolidated profit and loss for the three and six months ended June 30, 2020 and 2019 were NT\$ 1,709 thousands, NT\$ 2,094 thousands, NT\$ 5,623 thousands and NT\$ 3,935 thousands respectively, accounting for 3.61%,

3.29%, 7.63% and 3.79% 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 June 30, 2020 and 2019, and of its consolidated financial performance for the three-month periods then ended June 30, 2020 and 2019, as well as of its consolidated financial performance and its consolidated cash flows for the six-month periods then ended June 30, 2020 and 2019 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
August 7, 2020

Notice to Readers

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

Niko Semiconductor and Subsidiaries
Consolidated Balance Sheet

June 30, 2020, December 31 and June 30, 2019

Unit: NTS thousands

(The consolidated balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

Assets		June 30, 2020		December 31, 2019		June 30, 2019		Liabilities and equity		June 30, 2020		December 31, 2019		June 30, 2019	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets								Current liabilities							
1100	Cash and equivalent cash (Note 6(1))	\$ 553,141	22	361,180	15	429,572	17	2170	Notes and accounts payable	\$ 318,709	13	336,437	14	502,275	20
1110	Financial assets measured at fair value through profits and losses - Current(Note 6(2))	4,446	-	7,676	-	1,542	-	2180	Accounts payable-Related parties (Note 7)	3,468	-	14,780	1	29,875	1
1170	Net accounts receivable(Note 6(3))	845,652	34	1,032,597	42	925,015	36	2200	Expenses payable and other accounts payable (Note 7)	210,394	9	142,398	6	191,753	8
1180	Accounts receivable – Net amount of Related parties(Note 6(3) and 7)	19,379	1	67,099	3	154,050	6	2230	Current income tax liabilities	25,278	1	47,658	2	32,719	1
1200	Other receivables(Note 7)	15,601	1	14,056	-	14,077	-	2280	Lease liabilities - Current (Note 6(9))	2,813	-	2,680	-	2,734	-
130X	Inventory (Note 6(4))	569,095	23	495,139	20	586,450	23	2300	Other current liabilities	2,660	-	4,886	-	877	-
1470	Other current assets	4,477	-	2,397	-	3,863	-			<u>563,322</u>	<u>23</u>	<u>548,839</u>	<u>23</u>	<u>760,233</u>	<u>30</u>
		<u>2,011,791</u>	<u>81</u>	<u>1,980,144</u>	<u>80</u>	<u>2,114,569</u>	<u>82</u>	Non-current liabilities:							
Non-current assets:								2580	Lease liabilities - Non-current (Note 6(9))	1,457	-	2,810	-	4,352	-
1550	Investments by equity method(Note 6(5))	66,874	3	65,276	3	63,688	3	2600	Other non-current liabilities	9,076	-	10,176	-	8,223	-
1600	Property, plant and equipment (Note 6(6) and 8)	294,650	12	297,371	12	295,362	11			<u>573,855</u>	<u>23</u>	<u>561,825</u>	<u>23</u>	<u>772,808</u>	<u>30</u>
1755	Use Right assets (Note 6(7))	4,132	-	5,368	-	7,003	-	Total liabilities							
1760	Net Investment property (Note 6(8) and 8)	72,487	3	72,790	3	73,094	3	Equity attributable to the owner of the parent company:							
1780	Intangible assets	358	-	440	-	590	-	3110	Capital stock of common stock	612,515	25	612,515	25	612,515	24
1840	Deferred income tax assets	17,582	1	17,582	1	10,171	-	3200	Capital reserves	630,512	25	630,512	26	630,512	24
1900	Other non-current assets(Note 9(4))	15,072	-	20,072	1	20,072	1	3310	Legal reserves	149,013	6	129,897	5	129,897	5
		<u>471,155</u>	<u>19</u>	<u>478,899</u>	<u>20</u>	<u>469,980</u>	<u>18</u>	3320	Special reserves	3,594	-	1,850	-	1,850	-
								3350	Undistributed earnings (Note 6(13))	517,684	21	526,038	21	438,512	17
								3410	Exchange differences on the translation of foreign operating organizations	(4,227)	-	(3,594)	-	(1,545)	-
										<u>1,909,091</u>	<u>77</u>	<u>1,897,218</u>	<u>77</u>	<u>1,811,741</u>	<u>70</u>
Total assets		\$ 2,482,946	100	2,459,043	100	2,584,549	100	Total equity							
								Total liabilities and equity							
										\$ 2,482,946	100	2,459,043	100	2,584,549	100

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

Niko Semiconductor and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three and Six months Ended June 30, 2020 and 2019
(Reviewed, not audited)

Unit: NT\$ thousands

	For the Three months Ended June 30 ,				For the Six months Ended June 30,				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating income (Note 6(15) and 7)								
	\$	641,145	100	733,804	100	1,146,121	100	1,337,562	100
5000	Operating costs (Note 6(4), (11), (16), 7 and 12)								
		<u>470,624</u>	<u>73</u>	<u>562,233</u>	<u>77</u>	<u>865,159</u>	<u>75</u>	<u>1,034,448</u>	<u>77</u>
	Gross operating profits								
		<u>170,521</u>	<u>27</u>	<u>171,571</u>	<u>23</u>	<u>280,962</u>	<u>25</u>	<u>303,114</u>	<u>23</u>
	Operating expenses (Note 6(3), (11), (16), 7 and 12):								
6100	Sales promotion expenses	24,256	4	24,986	3	43,967	4	47,171	4
6200	Management expenses	33,705	5	34,625	5	63,226	6	65,900	5
6300	Research and development expenses	33,845	6	29,471	4	64,259	6	59,456	4
6450	Expected credit impairment loss (Reversal benefit)	145	-	761	-	(35)	-	809	-
	Total operating expenses	<u>91,951</u>	<u>15</u>	<u>89,843</u>	<u>12</u>	<u>171,417</u>	<u>16</u>	<u>173,336</u>	<u>13</u>
	Net operating profits	<u>78,570</u>	<u>12</u>	<u>81,728</u>	<u>11</u>	<u>109,545</u>	<u>9</u>	<u>129,778</u>	<u>10</u>
	Non-operating income and expenditure :								
7010	Other income (Note 6(17) and 7)	1,102	-	1,286	-	2,100	-	1,651	-
7020	Other profit and loss (Note 6(17) and (18))	(14,295)	(2)	1,793	-	(13,292)	(1)	2,395	-
7050	Financial costs (Note 6(17))	(57)	-	(90)	-	(120)	-	(188)	-
7060	Share of interests of affiliated enterprises recognized by equity method (Note 6(5))	674	-	1,822	1	1,075	-	3,530	-
	Total non-operating income and expenditure	<u>(12,576)</u>	<u>(2)</u>	<u>4,811</u>	<u>1</u>	<u>(10,237)</u>	<u>(1)</u>	<u>7,388</u>	<u>-</u>
	Net profit before tax	<u>65,994</u>	<u>10</u>	<u>86,539</u>	<u>12</u>	<u>99,308</u>	<u>8</u>	<u>137,166</u>	<u>10</u>
7950	Minus: Income tax expenses (Note 6(12))	<u>18,849</u>	<u>3</u>	<u>22,518</u>	<u>3</u>	<u>25,550</u>	<u>2</u>	<u>33,530</u>	<u>2</u>
	Net profit	<u>47,145</u>	<u>7</u>	<u>64,021</u>	<u>9</u>	<u>73,758</u>	<u>6</u>	<u>103,636</u>	<u>8</u>
8300	Other comprehensive income:								
8360	Items that may be reclassified to profit and loss in subsequent periods								
8361	Exchange differences on the translation of financial statements of foreign operating organizations	(266)	-	(382)	-	(633)	-	305	-
8399	Income tax related to items that may be reclassified	-	-	-	-	-	-	-	-
	Total items that may be reclassified to profit and loss in subsequent periods	<u>(266)</u>	<u>-</u>	<u>(382)</u>	<u>-</u>	<u>(633)</u>	<u>-</u>	<u>305</u>	<u>-</u>
8300	Other comprehensive income	<u>(266)</u>	<u>-</u>	<u>(382)</u>	<u>-</u>	<u>(633)</u>	<u>-</u>	<u>305</u>	<u>-</u>
	Total comprehensive income	<u>\$ 46,879</u>	<u>7</u>	<u>63,639</u>	<u>9</u>	<u>73,125</u>	<u>6</u>	<u>103,941</u>	<u>8</u>
	Earnings per share (NTD) (Note 6(14))								
	Basic earnings per share (NTD)	<u>\$ 0.77</u>		<u>1.05</u>		<u>1.20</u>		<u>1.69</u>	
	Diluted earnings per share (NTD)	<u>\$ 0.76</u>		<u>1.04</u>		<u>1.18</u>		<u>1.66</u>	

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

Niko Semiconductor and Subsidiaries
Consolidated Statements of Changes in Equity
For the Six months Ended June 30, 2020 and 2019
(Reviewed, not audited)

Unit: NT\$ thousands

	<u>Equity attributable to owners of parent company</u>					<u>Exchange differences on the translation of foreign operating organizations</u>	<u>Total Equity</u>
	<u>Capital stock of common stock</u>	<u>Capital reserves</u>	<u>Retained earnings</u>				
			<u>Legal reserves</u>	<u>Special reserves</u>	<u>Undistributed Earnings</u>		
Balance on January 1, 2019	\$ 612,515	630,512	114,558	1,351	393,590	(1,850)	1,750,676
Net profit	-	-	-	-	103,636	-	103,636
Other comprehensive income	-	-	-	-	-	305	305
Total comprehensive income	-	-	-	-	103,636	305	103,941
Withdrawn legal reserves	-	-	15,339	-	(15,339)	-	-
Withdrawn special reserves	-	-	-	499	(499)	-	-
Cash dividend of common stock	-	-	-	-	(42,876)	-	(42,876)
Balance on June 30, 2019	\$ 612,515	630,512	129,897	1,850	438,512	(1,545)	1,811,741
Balance on January 1, 2020	\$ 612,515	630,512	129,897	1,850	526,038	(3,594)	1,897,218
Net profit	-	-	-	-	73,758	-	73,758
Other comprehensive income	-	-	-	-	-	(633)	(633)
Total comprehensive income	-	-	-	-	73,758	(633)	73,125
Withdrawn legal reserves	-	-	19,116	-	(19,116)	-	-
Withdrawn special reserves	-	-	-	1,744	(1,744)	-	-
Cash dividend of common stock	-	-	-	-	(61,252)	-	(61,252)
Balance on June 30, 2020	\$ 612,515	630,512	149,013	3,594	517,684	(4,227)	1,909,091

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

Niko Semiconductor and Subsidiaries
Consolidated Statements of Cash Flows
For the Six months Ended June 30, 2020 and 2019
(Reviewed, not audited)

	Unit: NT\$ thousands	
	For the Six months Ended June 30,	
	2020	2019
Cash flows of business activities:		
Current net profit before tax	\$ 99,308	137,166
Items of adjustment:		
Income expense loss item		
Depreciation expenses	11,079	7,812
Amortization expenses	106	326
Expected credit impairment loss (Reversal benefit)	(35)	809
Net loss of financial assets and liabilities by fair value through profit and loss	3,230	(1,050)
Interest expenses	120	188
Interest income	(199)	(544)
Share of interests of affiliated enterprises recognized by equity method	(1,075)	(3,530)
Other	6,143	9,660
Total income expense loss item	<u>19,369</u>	<u>13,671</u>
Changes in assets and liabilities related to operating activities:		
Accounts receivable	234,700	(258,992)
Other receivables	(1,545)	1,674
Inventory	(80,099)	(79,705)
Other current assets	(2,080)	(1,523)
Total net changes in assets related to operating activities	<u>150,976</u>	<u>(338,546)</u>
Notes payable	(25)	(10,796)
Accounts payable	(29,015)	33,070
Other payables	6,675	24,750
Other current liabilities	(2,226)	(966)
Net defined benefit liabilities	(1,100)	(138)
Total net changes in liabilities related to operating activities	<u>(25,691)</u>	<u>45,920</u>
Total net changes in assets and liabilities related to business activities	<u>125,285</u>	<u>(292,626)</u>
Total items of adjustment	<u>144,654</u>	<u>(278,955)</u>
Cash inflow (outflow) from operations	243,962	(141,789)
Collected interest	199	544
Paid interest	(120)	(188)
Paid income tax	(47,928)	(34,929)
Net cash inflow (outflow) from operating activities	<u>196,113</u>	<u>(176,362)</u>
Cash flows of investment activities:		
Property, plant and equipment	(6,769)	(11,564)
Decrease (Increase) in deposit	5,000	(9,997)
Net cash inflow (outflow) from investment activities	<u>(1,769)</u>	<u>(21,561)</u>
Cash flows from financing activities:		
Repayment of lease principal	(1,349)	(1,330)
Net cash outflow from financing activities	<u>(1,349)</u>	<u>(1,330)</u>
Impact of exchange rate changes on cash and equivalent cash	(1,034)	256
Current increase (Decrease) of cash and equivalent cash	191,961	(198,997)
Balance of cash and equivalent cash at the beginning of the period	<u>361,180</u>	<u>628,569</u>
Ending balance of cash and equivalent cash	<u>\$ 553,141</u>	<u>429,572</u>

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

Niko Semiconductor and Subsidiaries
Notes to Consolidated Financial Statements
For the Six months Ended June 30, 2020 and 2019
(Unless otherwise specified, all amounts are in unit of NTS thousands)
(Reviewed, not audited)

I. Company evaluation

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

II. Date and Procedure of Adoption of Financial Report

The consolidated financial report was approved and released by the Board of Directors on August 7, 2020.

III. Application of newly issued and revised standards and interpretations

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

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

<u>Newly issued/amended/revised standards and interpretations</u>	<u>Effective date of issuance by IASB</u>
IFRS 3 "Definition of business"	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 "Changes in interest rate indicators"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of significant"	January 1, 2020
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

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

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

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

<u>Newly issued/amended/revised standards and interpretations</u>	<u>Effective date of issuance by IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or investment of assets between investors and their affiliated enterprises or joint ventures"	To be decided by IASB
IFRS 17 "Insurance contracts"	January 1, 2023

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

Amendments to IAS 1 “Classify liabilities as current or non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment-Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”	January 1, 2022
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

Possible stakeholders of the merged company are as follows:

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

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

IV. Summary of Major Accounting Policies

(I) Statement

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

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

(II) Consolidated basis

Subsidiaries included in consolidated financial report

Subsidiaries included in this consolidated financial report include:

<u>Name of investment company</u>	<u>Name of subsidiary company</u>	<u>Nature of business</u>	<u>Holding equity percentage</u>			<u>Explanation</u>
			<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>	
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

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

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
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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 2019.

VI. Description of Important Accounting Items

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

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

(I) Cash and equivalent cash

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Cash on hand and petty cash	\$ 411	337	257
Checks and demand deposits	<u>552,730</u>	<u>360,843</u>	<u>429,315</u>
	<u>\$ 553,141</u>	<u>361,180</u>	<u>429,572</u>

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

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Non-hedging derivative instruments			
Exchange transaction contract	<u>\$ 4,446</u>	<u>7,676</u>	<u>1,542</u>

1.As at June 30, 2020 and December 31 and June 30 of 2019, the details of derivative instruments of financial assets held for trading due to the non-application of hedge accounting are as follows:

<u>June 30, 2020</u>			
<u>Derivative financial commodities</u>	<u>Nominal principal (NT\$ thousands)</u>	<u>Maturity date</u>	<u>Delivery rate</u>
Exchange transaction contract-NT\$ in/US\$ out	US\$ 20,470	July 3, 2020~July 20, 2020	29.618~29.798
Exchange transaction contract-US\$ in/NT\$ out	US\$ 7,120	July 23, 2020~July 29, 2020	29.438~29.538
<u>December 31, 2019</u>			
<u>Derivative financial commodities</u>	<u>Nominal principal (NT\$ thousands)</u>	<u>Maturity date</u>	<u>Delivery rate</u>
Exchange transaction contract-NT\$ in/US\$ out	US\$ 31,150	January 3, 2020~January 22, 2020	30.164~30.488
Exchange transaction contract-US\$ in/NT\$ out	US\$ 6,190	January 30, 2020~January 31, 2020	30.080~30.433
<u>June 30, 2019</u>			
<u>Derivative financial commodities</u>	<u>Nominal principal (NT\$ thousands)</u>	<u>Maturity date</u>	<u>Delivery rate</u>
Exchange transaction contract-NT\$ in/US\$ out	US\$ 15,400	July 5, 2019~July 29, 2019	31.028~31.422
Exchange transaction contract-US\$ in/NT\$ out	US\$ 980	July 26, 2019	31.074

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

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

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Accounts receivable	\$ 846,855	1,033,739	926,566
Accounts receivable-Related parties	19,418	67,234	154,359
Less: allowance for losses	<u>(1,242)</u>	<u>(1,277)</u>	<u>(1,860)</u>
	<u>\$ 865,031</u>	<u>1,099,696</u>	<u>1,079,065</u>

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

	<u>June 30, 2020</u>		
	<u>Book amount of accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Expected credit loss during allowance duration</u>
Not overdue	\$ 840,397	0.1%~0.2%	983
1~30 days overdue	25,876	1%~2%	259
31~90 days overdue	-	10%~50%	-
91~180 days overdue	-	50%~70%	-
181~360 days overdue	<u>-</u>	100%	<u>-</u>
	<u>\$ 866,273</u>		<u>1,242</u>

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

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

	June 30, 2019	
	Book amount of accounts receivable	Weighted average expected credit loss rate
Not overdue	\$ 1,077,236	0.1%~0.2%
1~30 days overdue	3,686	1%~2%
31~90 days overdue	3	10%~50%
91~180 days overdue	-	50%~70%
181~360 days overdue	-	100%
	<u>\$ 1,080,925</u>	<u>1,860</u>

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

	For the Six months Ended June 30,	
	2020	2019
Balance at beginning of period	\$ 1,277	1,051
Impairment losses recognized (reversed)	(35)	809
Balance at end of period	<u>\$ 1,242</u>	<u>1,860</u>

The above financial assets are not provided as collateral.

(IV) Inventory

	June 30, 2020	December 31, 2019	June 30, 2019
Raw materials	\$ 62,779	57,685	75,926
In-process and semi-finished products	270,084	254,750	284,408
Finished products and goods	236,232	182,704	226,116
	<u>\$ 569,095</u>	<u>495,139</u>	<u>586,450</u>

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Inventory depreciation and obsolescence loss	<u>\$ 507</u>	<u>4,074</u>	<u>6,143</u>	<u>9,660</u>

As of June 30, 2020, December 31 and June 30 of 2019, the inventory of the merged company has not been provided as pledge guarantee.

(V) Investments using equity method

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

	June 30, 2020	December 31, 2019	June 30, 2019
Associated enterprise	<u>\$ 66,874</u>	<u>65,276</u>	<u>63,688</u>

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

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Share of profit of related venture using equity method	\$ <u>674</u>	<u>1,822</u>	<u>1,075</u>	<u>3,530</u>

As of June 30, 2020, December 31 and June 30 of 2019, the investment of the merged company using the equity method has not been provided as pledge guarantee.

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

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

(VI) Property, plant and equipment

Details of changes in costs and depreciation of the merged company's property, plant and equipment from January 1 to June 30 of 2020 and 2019 are as follows:

	Land	Houses and building	Office equipment and other	Equipment to be inspected	Total
Costs:					
Balance on January 1, 2020	\$ 161,823	126,765	72,172	100	360,860
Increase	-	1,216	4,531	1,022	6,769
Reclassified into (out)	-	-	100	(100)	-
Disposal	-	(105)	(520)	-	(625)
Impact of exchange rate changes	-	(71)	(450)	-	(521)
Balance on June 30, 2020	<u>\$ 161,823</u>	<u>127,805</u>	<u>75,833</u>	<u>1,022</u>	<u>366,483</u>
Balance on January 1, 2019	\$ 193,743	144,910	46,475	10,460	395,588
Increase	-	521	3,476	7,567	11,564
Reclassified into (out)	-	2,223	9,039	(11,288)	(26)
Reclassified from investing property	(31,920)	(20,547)	-	-	(52,467)
Disposal	-	-	(2,330)	-	(2,330)
Impact of exchange rate changes	-	30	192	-	222
Balance on June 30, 2019	<u>\$ 161,823</u>	<u>127,137</u>	<u>56,852</u>	<u>6,739</u>	<u>352,551</u>
Accumulated depreciation:					
Balance on January 1, 2020	\$ -	35,538	27,951	-	63,489
Depreciation this year	-	3,248	6,160	-	9,408
Disposal	-	(105)	(520)	-	(625)
Impact of exchange rate changes	-	(69)	(370)	-	(439)
Balance on June 30, 2020	<u>\$ -</u>	<u>38,612</u>	<u>33,221</u>	<u>-</u>	<u>71,833</u>
Balance on January 1, 2019	\$ -	33,864	23,107	-	56,971
Depreciation this year	-	2,788	3,308	-	6,096
Reclassified from investing property	-	(3,728)	-	-	(3,728)
Disposal	-	-	(2,330)	-	(2,330)
Impact of exchange rate	-	31	149	-	180

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

changes

Balance on June 30, 2019	\$	-	<u>32,955</u>	<u>24,234</u>	-	<u>57,189</u>
Book amount:						
January 1, 2020	\$	<u>161,823</u>	<u>91,227</u>	<u>44,221</u>	<u>100</u>	<u>297,371</u>
June 30, 2020	\$	<u>161,823</u>	<u>89,193</u>	<u>42,612</u>	<u>1,022</u>	<u>294,650</u>
January 1, 2019	\$	<u>193,743</u>	<u>111,046</u>	<u>23,368</u>	<u>10,460</u>	<u>338,617</u>
June 30, 2019	\$	<u>161,823</u>	<u>94,182</u>	<u>32,618</u>	<u>6,739</u>	<u>295,362</u>

1. The merged company reclassified the property into investing property based on the book value at the time of change of use due to the increase in the number of leased office space in the first quarter of 2019. Please refer to Note 6 (8).

2. As of June 30, 2020, December 31 and June 30 of 2019, the property, plant and equipment of the merged company have been used as bank loan and financing limit guarantees. Please refer to Note 8 for details.

(VII) Right-of-use assets

Details of the cost and depreciation of the leased offices, staff quarters and the recognized right-of-use assets of the merged company are as follows:

		<u>Houses and buildings</u>
Costs of right-of-use assets		
Balance on January 1, 2020	\$	7,967
Increase		136
lease modification		120
Impact of exchange rate changes		<u>(215)</u>
Balance on June 30, 2020	\$	<u>8,008</u>
Balance on January 1, 2019	\$	8,313
Impact of exchange rate changes		91
Balance on June 30, 2019	\$	<u>8,404</u>
Depreciation and impairment losses of right-of-use assets:		
Balance on January 1, 2020	\$	2,599
Depreciation in current period		1,368
Impact of exchange rate changes		<u>(91)</u>
Balance on June 30, 2020	\$	<u>3,876</u>
Balance on January 1, 2019	\$	-
Depreciation in current period		1,413
Impact of exchange rate changes		<u>(12)</u>
Balance on June 30, 2019	\$	<u>1,401</u>
Book value:		
June 30, 2020	\$	<u>4,132</u>
June 30, 2019	\$	<u>7,003</u>

(VIII) Investing property

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

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

	<u>Land</u>	<u>Houses and building</u>	<u>Total</u>
Costs:			
Balance on January 1, 2020	\$ 48,068	30,941	79,009
Balance on June 30, 2020	<u>\$ 48,068</u>	<u>30,941</u>	<u>79,009</u>
Balance on January 1, 2019	\$ 16,148	10,393	26,541
Transfer from property, plant and equipment	<u>31,920</u>	<u>20,547</u>	<u>52,467</u>
Balance on June 30, 2019	<u>\$ 48,068</u>	<u>30,940</u>	<u>79,008</u>
Accumulated depreciation:			
Balance on January 1, 2020	\$ -	6,219	6,219
Depreciation this year	<u>-</u>	<u>303</u>	<u>303</u>
Balance on June 30, 2020	<u>\$ -</u>	<u>6,522</u>	<u>6,522</u>
Balance on January 1, 2019	\$ -	1,884	1,884
Depreciation this year	<u>-</u>	<u>303</u>	<u>303</u>
Transfer from property, plant and equipment	<u>-</u>	<u>3,728</u>	<u>3,728</u>
Balance on June 30, 2019	<u>\$ -</u>	<u>5,915</u>	<u>5,915</u>
Book amount:			
Balance on January 1, 2020	<u>\$ 48,068</u>	<u>24,722</u>	<u>72,790</u>
Balance on June 30, 2020	<u>\$ 48,068</u>	<u>24,419</u>	<u>72,487</u>
Balance on January 1, 2019	<u>\$ 16,148</u>	<u>8,509</u>	<u>24,657</u>
Balance on June 30, 2019	<u>\$ 48,068</u>	<u>25,026</u>	<u>73,094</u>
Fair value:			
Balance on June 30, 2020			<u>\$ 130,112</u>
Balance on June 30, 2019			<u>\$ 131,255</u>

- Investing property is owned assets held by the merged company.
- Please refer to Note 6 (6) for instructions on the transfer of property, plant and equipment into investing property of the merged company.
- As of June 30, 2020, December 31 and June 30 of 2019, the investing property of the merged company has been used as a guarantee for the financing amount. Please refer to Note 8 for details.
- There is no significant difference between the fair value of the investing property of the merged company and the information disclosed in Note 6 (8) of the consolidated financial report of 2019.

(IX) Lease liabilities

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current	<u>\$ 2,813</u>	<u>2,680</u>	<u>2,734</u>
Non-current	<u>\$ 1,457</u>	<u>2,810</u>	<u>4,352</u>

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

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

The amounts recognized in profit or loss are as follows:

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Interest expense on lease liabilities	\$ <u>57</u>	<u>90</u>	<u>120</u>	<u>188</u>
Rental charges for short-term leases and low-value assets	\$ <u>221</u>	<u>150</u>	<u>371</u>	<u>286</u>

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

	For the Six months Ended June 30,	
	2020	2019
Rental payments for business activities	\$ (371)	(354)
Interest payments on lease liabilities for business activities	(120)	(188)
Repayment of lease principal for financing activities	(1,349)	(1,330)
Total cash outflow from leases	\$ <u>(1,840)</u>	<u>(1,872)</u>

1. Lease of land, houses and buildings

The merged company leased the land, houses and buildings as office space and staff quarters on June 30, 2020 with a lease period of normally three years.

2. Other leases

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

(X) Operating lease

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

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:

	June 30, 2020	December 31, 2019	June 30, 2019
Less than 1 year	\$ 2,873	2,888	1,920
1 to 2 years	2,857	6,190	-
2 to 3 years	1,905	-	-
3 to 4 years	-	-	-
4 to 5 years	-	-	-
More than 5 years	-	-	-
Total undiscounted payments	\$ <u>7,635</u>	<u>9,078</u>	<u>1,920</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

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

adopted the pension costs determined by actuarial calculations on December 31, 2019 and 2018 to measure and disclose the pension costs during the interim period.

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Operating costs	\$ 11	9	22	18
Selling expenses	8	7	16	13
Administrative expenses	89	73	178	146
Research and development expenses	11	9	22	18
	<u>\$ 119</u>	<u>98</u>	<u>238</u>	<u>195</u>

2. Determine the allocation plan

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Operating costs	\$ 410	484	837	1,020
Selling expenses	193	386	419	764
Administrative expenses	408	520	842	1,054
Research and development expenses	460	858	1,126	1,909
Total	<u>\$ 1,471</u>	<u>2,248</u>	<u>3,224</u>	<u>4,747</u>

(XII) Tax

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Current tax expense	<u>\$ 18,849</u>	<u>22,518</u>	<u>25,550</u>	<u>33,530</u>

2. The Company's tax (expenses) benefits under other comprehensive profit and loss have not been recognized in January 1 to June 30 of 2020 and 2019.

3. The Company's profit-making enterprise tax settlement declaration has been approved by the tax collection authority until 2018.

(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 June 30 of 2020 and 2019. For relevant information, please refer to Note 6 (13) of the consolidated financial report of 2019.

1. Retained earnings

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

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

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

(2) Distribution of earnings

On June 10, 2020 and June 12 2019, the Board of Shareholders decided on the surplus distribution plan for 2019 and 2018. The dividends distributed to the owners are as follows:

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

(XIV) Earnings per share

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Basic earnings per share:				
Current net profit attributable to the Company	\$ <u>47,145</u>	<u>64,021</u>	<u>73,758</u>	<u>103,636</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>0.77</u>	<u>1.05</u>	<u>1.20</u>	<u>1.69</u>
Dilute earnings per share:				
Current net profit attributable to the Company	\$ <u>47,145</u>	<u>64,021</u>	<u>73,758</u>	<u>103,636</u>
Weighted average number of ordinary shares in circulation(thousand shares)(dilution)	<u>61,732</u>	<u>61,728</u>	<u>62,662</u>	<u>62,256</u>
Earnings per share (yuan)	\$ <u>0.76</u>	<u>1.04</u>	<u>1.18</u>	<u>1.66</u>

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Weighted average number of ordinary shares in circulation (thousand shares)(dilution):				
Weighted average number of ordinary shares in circulation (basic)	61,252	61,252	61,252	61,252
Impact of employee stock remuneration	<u>480</u>	<u>476</u>	<u>1,410</u>	<u>1,004</u>
Weighted average number of ordinary shares in circulation (dilution)	<u>61,732</u>	<u>61,728</u>	<u>62,662</u>	<u>62,256</u>

(XV) Revenue from customer contracts

1. Breakdown of income

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Major regional markets:				
Taiwan	\$ 211,681	288,851	385,033	584,797
Mainland China	337,326	375,364	586,399	623,812
Other countries	<u>92,138</u>	<u>69,589</u>	<u>174,689</u>	<u>128,953</u>
	<u>\$ 641,145</u>	<u>733,804</u>	<u>1,146,121</u>	<u>1,337,562</u>
Main products:				
Power MOSFET	\$ 601,179	610,725	1,062,297	1,097,913
Power Management IC	13,482	50,023	30,517	118,972
Other	<u>26,484</u>	<u>73,056</u>	<u>53,307</u>	<u>120,677</u>
	<u>\$ 641,145</u>	<u>733,804</u>	<u>1,146,121</u>	<u>1,337,562</u>

2. Contract balance

	June 30, 2020	December 31, 2019	June 30, 2019
Notes and accounts receivable	\$ 866,273	1,100,973	1,080,925
Less: allowance for losses	<u>(1,242)</u>	<u>(1,277)</u>	<u>(1,860)</u>
Total	<u>\$ 865,031</u>	<u>1,099,696</u>	<u>1,079,065</u>

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

(XVI) Remuneration of employees, directors and supervisors

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

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

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

The estimation of employee remuneration and supervisor remuneration for the three and six months ended June 30, 2020 and 2019 is as follows:

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Employee remuneration	\$ 12,311	9,896	18,500	15,600
Supervisor remuneration	4,104	2,969	6,167	4,680
Total	<u>\$ 16,415</u>	<u>12,865</u>	<u>24,667</u>	<u>20,280</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 2019 and 2018 were NT\$ 46,622 thousands and NT\$ 36,111 thousands respectively, while the estimated compensation for directors and supervisors were NT\$ 15,541 thousands and NT\$ 12,037 thousands respectively, which was no difference from the actual distribution. Relevant information can be found at the Public Information Platform.

(XVII) Non-operating income and expenditure

1. Other income

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Other income	<u>\$ 1,102</u>	<u>1,286</u>	<u>2,100</u>	<u>1,651</u>

2. Other gains and losses

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

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Foreign currency exchange profit (loss), net	\$ (17,664)	642	(17,099)	1,323
Net profits of financial assets at fair value through profit or loss	3,790	1,468	4,446	1,542
Other gains and losses	(421)	(317)	(639)	(470)
	<u>\$ (14,295)</u>	<u>1,793</u>	<u>(13,292)</u>	<u>2,395</u>

3. Finance costs

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Interest expense	\$ 57	90	120	188

(XVIII) Financial instruments

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

1. Credit risk

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

On June 30, 2020 and December 31 and June 30 of 2019, the merged company received 46%, 50% and 57% of the total Notes receivable and accounts receivable from the top five sales customers respectively, thus causing the merged company to have a concentration of credit risks. In order to reduce credit risks, the merged company regularly and continuously evaluates the financial status of each of these customers and the recovery possibility of their accounts receivable. These customers have good profits and credit records in the past, and the merged company has not suffered any significant credit risk losses due to these customers during the reporting period.

2. Liquidity risk

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

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>
June 30, 2020							
Non-derivative financial liabilities							
Notes payable and accounts payable _ (including related parties)	\$ 322,177	322,177	322,177	-	-	-	-
Expenses payable and other accounts payable	102,691	102,691	102,691	-	-	-	-
Lease liabilities	4,270	4,431	1,477	1,477	1,477	-	-
	<u>\$ 429,138</u>	<u>429,299</u>	<u>426,345</u>	<u>1,477</u>	<u>1,477</u>	<u>-</u>	<u>-</u>
December 31, 2019							
Non-derivative financial liabilities							
Notes payable and accounts payable _ (including related parties)	\$ 351,217	351,217	351,217	-	-	-	-
Expenses payable and other accounts payable	48,799	48,799	48,799	-	-	-	-
Lease liabilities	5,490	5,765	1,441	1,441	2,883	-	-
	<u>\$ 405,506</u>	<u>405,781</u>	<u>401,457</u>	<u>1,441</u>	<u>2,883</u>	<u>-</u>	<u>-</u>
June 30, 2019							
Non-derivative financial liabilities							
Notes payable and accounts payable _ (including related parties)	\$ 532,150	532,150	532,150	-	-	-	-
Expenses payable and other accounts payable	102,017	102,017	102,017	-	-	-	-
Lease liabilities	7,086	7,528	1,506	1,505	3,011	1,506	-
	<u>\$ 641,253</u>	<u>641,695</u>	<u>635,673</u>	<u>1,505</u>	<u>3,011</u>	<u>1,506</u>	<u>-</u>

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>June 30, 2020</u>			<u>December 31, 2019</u>			<u>June 30, 2019</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	\$ 31,506	29.630	933,528	39,259	29.980	1,176,973	42,076	31.060	1,306,885
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	11,071	29.630	328,038	12,112	29.980	363,117	17,435	31.060	541,537

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

The exchange rate risk of the merged company mainly comes from cash denominated in foreign currency and equivalent cash, accounts receivable and other receivables, loans, accounts payable, expenses payable and other payables, etc. Foreign currency exchange gains and losses are generated during conversion. On June 30, 2020 and 2019, when NT\$ depreciates or appreciates by 1% relative to US\$, while all other factors remain unchanged, the net profit before tax for January 1 to June 30 of 2020 and 2019 will increase or decrease by NT\$ 6,055 thousands and NT\$ 7,653 thousands respectively. The two phases of analysis adopt the same basis.

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

Functional currency	For the Three months Ended June 30,				For the Six months Ended June 30,			
	2020		2019		2020		2019	
	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
NTD	\$ (17,700)	1	359	1	(17,951)	1	1,444	1
RMB	36	4.212	283	4.554	852	4.261	(121)	4.560
	<u>\$ (17,664)</u>		<u>642</u>		<u>(17,099)</u>		<u>1,323</u>	

(2) Interest rate risk

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

4. Fair value information

(1) Types and fair value of financial instruments

The book 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, fair value information need not be disclosed according to regulations) are shown as follows:

	Book amount	June 30, 2020			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss - Current	\$ 4,446	-	-	4,446	4,446
Financial assets at amortized cost :					
Cash and equivalent cash	\$ 553,141				
Notes receivable and accounts receivable (including related parties)	865,031				
Other accounts receivable	15,601				

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

Refundable deposits		<u>15,072</u>			
Total		<u>\$ 1,448,845</u>			
Financial liabilities at amortized cost :					
Notes payable and accounts payable _ (including related parties)	\$	322,177			
Expenses payable and other accounts payable		210,394			
Lease liabilities		<u>4,270</u>			
Total		<u>\$ 536,841</u>			
December 31, 2019					
		Fair value			
Financial assets at fair value through profit or loss - Current	Book amount	Level 1	Level 2	Level 3	Total
	<u>\$ 7,676</u>	<u>-</u>	<u>-</u>	<u>7,676</u>	<u>7,676</u>
Financial assets at amortized cost :					
Cash and equivalent cash	\$	361,180			
Notes receivable and accounts receivable _ (including related parties)		1,099,696			
Other accounts receivable		14,056			
Refundable deposits		<u>20,072</u>			
Total		<u>\$ 1,495,004</u>			
Financial liabilities at amortized cost :					
Notes payable and accounts payable _ (including related parties)	\$	351,217			
Expenses payable and other accounts payable		142,398			
Lease liabilities		<u>5,490</u>			
Total		<u>\$ 499,105</u>			

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

	June 30, 2019				
	Book amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss - Current	\$ 1,542	-	-	1,542	1,542
Financial assets at amortized cost :					
Cash and equivalent cash	\$ 429,572				
Notes receivable and accounts receivable _ (including related parties)	1,079,065				
Other accounts receivable	14,077				
Refundable deposits	20,072				
Total	\$ 1,542,786				
Financial liabilities at amortized cost :					
Notes payable and accounts payable _ (including related parties)	\$ 532,150				
Expenses payable and other accounts payable	191,753				
Lease liabilities	7,086				
Total	\$ 730,989				

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

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

(3) There was no transfer of fair value hierarchy from January 1 to June 30 of 2020 and 2019.

(4) Schedule of Level 3 changes

	Financial assets at fair value through profit or loss
January 1, 2020	\$ 7,676
Purchase/disposal/settlement	(7,676)
Recognized in profit or loss	4,446
June 30, 2020	\$ 4,446
January 1, 2019	\$ 492
Purchase/disposal/settlement	(492)
Recognized in profit or loss	1,542
June 30, 2019	\$ 1,542

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

The above total profits or losses are reported in series as Other profits and losses. Among them, the assets or liabilities held as at June 30, 2020 and 2019 are as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total profits or losses		
Recognized in profit or loss (reported in Other profits and losses)	<u>\$ 4,446</u>	<u>1,542</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 2019.

(XX) Capital management

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

(XXI) Changes in liabilities from financial activities

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

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Changes of non-cash</u>	<u>June 30, 2020</u>
Lease liabilities	\$ 5,490	(1,349)	129	4,270
Total liabilities from financial activities	<u>\$ 5,490</u>	<u>(1,349)</u>	<u>129</u>	<u>4,270</u>

	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Changes of non-cash</u>	<u>June 30, 2019</u>
Lease liabilities	\$ 8,313	(1,518)	291	7,086
Total liabilities from financial activities	<u>\$ 8,313</u>	<u>(1,518)</u>	<u>291</u>	<u>7,086</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:

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

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) Main management personnel transactions

Remuneration for main management personnel includes:

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2020	2019	2020	2019
Short-term employee welfare	\$ 6,144	5,460	10,997	10,088
Post-retirement welfare	120	97	239	195
Resignation welfare	-	-	-	-
Other long-term welfare	-	-	-	-
Share-based payment	-	-	-	-
	<u>\$ 6,264</u>	<u>5,557</u>	<u>11,236</u>	<u>10,283</u>

(III) Major transactions with related parties

1. Sale to related parties

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

	Sales				Accounts receivable from related parties		
	For the Three months Ended June 30,		For the Six months Ended June 30,		June 30, 2020	December 31, 2019	June 30, 2019
	2020	2019	2020	2019			
Associated enterprises:							
Other associated enterprises	\$ 31,458	127,781	64,723	233,742	19,418	67,234	154,359
Less: allowance for losses	-	-	-	-	(39)	(135)	(309)
	<u>\$ 31,458</u>	<u>127,781</u>	<u>64,723</u>	<u>233,742</u>	<u>19,379</u>	<u>67,099</u>	<u>154,050</u>

There is no significant difference between the terms of sale of the merged company to its related parties and the general selling price. The payment terms for January 1 to June 30 of 2020 and 2019 are 90 days, while the average customer is about 30 days to 150 days.

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

2. Purchase from related parties

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

	Purchase				Notes and accounts payable		
	For the Three months Ended June 30,		For the Six months Ended June 30,		June 30,	December	June 30,
	2020	2019	2020	2019	2020	31, 2019	2019
Associated enterprises:							
Green Solution Technology	\$ 9,134	44,202	23,713	98,625	3,468	14,436	29,875
Other associated enterprises	-	-	-	-	-	344	-
	<u>\$ 9,134</u>	<u>44,202</u>	<u>23,713</u>	<u>98,625</u>	<u>3,468</u>	<u>14,780</u>	<u>29,875</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 June 30 of 2020 and 2019 are 30 days, while the terms of payment for ordinary manufacturers are about 30 to 90 days.

3. Purchase labor services from related parties

	Transaction amount				Expenses payable and other accounts payable		
	For the Three months Ended June 30,		For the Six months Ended June 30,		June 30,	December	June 30,
	2020	2019	2020	2019	2020	31, 2019	2019
Associated enterprises:							
Green Solution Technology - Research and development material fees	\$ -	1,810	-	1,810	-	-	1,900
Other related parties:	-	194	-	431	-	-	-
Super Group Semiconductor - Product development project fees							
Super Group Semiconductor - Product maintenance fees	5,500	2,100	8,900	7,400	5,775	4,300	2,100
Super Group Semiconductor - Product royalty fees	494	579	886	1,157	172	179	336
	<u>13,980</u>	<u>16,672</u>	<u>28,060</u>	<u>31,551</u>	<u>3,676</u>	<u>5,651</u>	<u>11,677</u>
	<u>\$ 19,974</u>	<u>21,355</u>	<u>37,846</u>	<u>42,349</u>	<u>9,623</u>	<u>10,130</u>	<u>16,013</u>

As of June 30, 2020 and 2019, the new product development contracts and outsourcing design contracts signed by the merged company and its related parties have not yet been recognized due to the failure to reach the agreed development and design stage. Please refer to Note 9 for details.

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

4. Rental income

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

	Transaction amount				Other accounts receivable		
	For the Three months Ended June 30,		For the Six months Ended June 30,		June 30, 2020	December 31, 2019	June 30, 2019
	2020	2019	2020	2019			
Associated enterprises:							
Green Solution Technology\$	714	714	1,428	1,143	250	250	500
Other related parties:							
Other related parties	5	5	9	9	2	11	2
	<u>\$ 719</u>	<u>719</u>	<u>1,437</u>	<u>1,152</u>	<u>252</u>	<u>261</u>	<u>502</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	June 30, 2020	December 31, 2019	June 30, 2019
Property, plant and equipment	Bank loan	\$ 144,182	144,182	144,182
— Land				
- Houses and buildings	"	73,111	74,021	74,931
Investing property - Land	"	48,068	48,068	48,068
- Houses and buildings	"	24,419	24,722	25,026
		<u>\$ 289,780</u>	<u>290,993</u>	<u>292,207</u>

IX. Major Contingent Liabilities and Unrecognized Contractual Commitments

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

	June 30, 2020	December 31, 2019	June 30, 2019
Guaranteed bill	<u>\$ 10,000</u>	<u>10,000</u>	<u>15,000</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Loan limit and financial commodities trading limit	<u>\$ 1,046,931</u>	<u>1,031,726</u>	<u>1,041,863</u>

(III) As of June 30, 2020 and December 31 and June 30 of 2019, 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\$ 36,000 thousands, NT\$ 33,900 thousands and NT\$ 30,600 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

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

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 June 30, 2020 and December 31 and June 30 of 2019, the deposit amount has been NT\$ 15,000 thousands, NT\$ 20,000 thousands and NT\$ 20,000 thousands respectively.

X. Major disaster losses: None.

XI. Major post-date events: None.

XII. Other

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

Function	For the Three months Ended June 30, 2020			For the Three months Ended June 30, 2019		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Quality						
Staff welfare expenses						
Salary expense	10,875	43,251	54,126	9,833	41,801	51,634
Labor and health	787	1,824	2,611	814	2,011	2,825
insurance expenses						
Pension expenses	421	1,169	1,590	493	1,853	2,346
Other employee	567	1,415	1,982	607	1,572	2,179
welfare expenses						
Depreciation expense	1,914	3,762	5,676	1,412	2,538	3,950
Amortization expense	-	54	54	-	163	163

Function	For the Six months Ended June 30, 2020			For the Six months Ended June 30, 2019		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Quality						
Staff welfare expenses						
Salary expense	20,471	82,560	103,031	19,381	81,316	100,697
Labor and health	1,686	4,044	5,730	1,761	4,364	6,125
insurance expenses						
Pension expenses	859	2,603	3,462	1,038	3,904	4,942
Other employee	1,117	2,802	3,919	1,194	3,062	4,256
welfare expenses						
Depreciation expense	3,785	7,294	11,079	2,818	4,691	7,509
Amortization expense	-	106	106	-	326	326

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

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 June 30 of 2020 in accordance with the preparation standards is as follows:

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

No.	Name of trader	Transaction object	Relations with traders	Transaction for the Six months Ended June 30, 2020			
				Item	Amount	Transaction condition	Ratio to consolidated total operating income or total assets
0	The Company	Power Up Tech Co., Ltd.	Transactions between parent company and subsidiary	Operating costs	10,142	Before the 25th of the following month	0.88%
0	"	"	Transactions between parent company and subsidiary	Operating expenses	12,964	"	1.13%
0	"	"	Transactions between parent company and subsidiary	Expenses payable	1,535	"	0.06%
1	Power Up Tech Co. Ltd.	Wuxi Super GEM Microelectronics Co., Ltd.	Inter-subsidiary transactions	Operating costs	22,747	"	1.98%
1	"	"	Inter-subsidiary transactions	Expenses payable	1,505	"	0.06%

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

(II) Information related to reinvestment:

Information on the Company's reinvestments from January 1 to June 30 of 2020 is as follows (excluding mainland China invested companies):

Unit: NT\$ thousands/share

Investing company Name	Invested company Name	Area	Major business Item	Original investment amount		Final holding			Invested company Current profit and loss	Current recognized Investment profit and loss	Note
				At end of current period	End of last year	Shares	Ratio	Book amount			
The Company	Jinrong Investment Co., Ltd.	Taiwan	Holding company	51,000	51,000	5,100,000	100.00%	67,408	747	747	Note
"	Power Up Tech Co., Ltd.	Samoa	Holding company	30,744	30,744	1,930,000	100.00%	37,654	4,983	4,983	"
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%	67,616	11,292	989	

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

(III) Information on Mainland China Investment:

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

Unit: NT\$ thousands

Name of mainland Invested Company	Major business items	Paid-in capital	Investing mode	Accumulated investment amount remitted from Taiwan at beginning of current period	Amount of investment remitted or recovered in current period		Accumulated investment amount remitted from Taiwan at end of current period	Invested company Current profit and loss	Shareholding ratio of Company's direct or indirect investment	Investment profits and losses recognized for current period	Book value of final investment	Remitted back investment income as of end of current period
					remitted	recovered						
Wuxi Super GEM Microelectronics Co., Ltd.	Metal oxide semiconductor manufacturing, development and sales business, product quality monitoring and testing services; Selling self-produced products	46,906	Note	61,463	-	-	61,463	5,247	100.00%	5,247	20,193	-

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	1,145,455

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 June 30 of 2020 and 2019 were NT\$ 22,747 thousands and NT\$ 26,654 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 management IC. The main operating decision makers of the merged company use the overall operating results as the basis for evaluating performance. According to this, the merged company is a single operating department, and the operating department information of January 1 to June 30 of 2020 and 2019 is consistent with the consolidated financial report information.

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

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