

Stock code: 3317

**NIKO SEMICONDUCTOR CO., LTD. AND
SUBSIDIARIES CONSOLIDATED FINANCIAL
STATEMENTS WITH REPORT OF
INDEPENDENT AUDITORS
FOR THE SIX MONTHS
ENDED JUNE 30, 2022 AND 2021**

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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 June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended June 30, 2022 and 2021, 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 June 30, 2022 and 2021 were NT\$ 128,017 thousands and NT\$ 117,535 thousands respectively, accounting for 3.76% and 4.27% of the total consolidated assets respectively. The total liabilities were NT\$ 6,981 thousands and NT\$ 4,313 thousands respectively, accounting for 0.81% and 0.77% of the total consolidated liabilities respectively. The absolute value of the consolidated profit and loss for the three and six months ended June 30, 2022 and 2021 were NT\$ 2,003 thousands, NT\$ 789 thousands, NT\$ 6,206 thousands and NT\$ 5,456 thousands respectively, accounting for 1.37%, 0.96%, 2.08% and 3.16% 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, 2022 and 2021, and of its consolidated financial performance for the three-month periods then ended June 30, 2022 and 2021, as well as of its consolidated financial performance and its consolidated cash flows for the six-month periods then ended June 30, 2022 and 2021 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
Fu, Hong-Wen
Hong, Shi-Gang
August 5, 2022

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, 2022, December 31 and June 30, 2021

Unit: NTS thousands

(The consolidated balance sheets as of June 30, 2022 and 2021 are reviewed, not audited)

Assets		June 30, 2022		December 31, 2021		June 30, 2021		Liabilities and equity		June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets								Current liabilities							
1100	Cash and equivalent cash (Note 6(1))	\$ 1,264,552	37	1,189,955	38	919,556	33	2120	Financial liabilities measured at fair value through profits and losses - Current(Note 6(2))	\$ -	-	1,909	-	6,526	-
1170	Net accounts receivable(Note 6(3)and(15))	985,254	29	954,195	30	846,085	31	2170	Accounts payable	415,837	12	523,377	17	325,231	12
1180	Accounts receivable – Net amount of Related parties(Note 6(3) 、(15) and 7)	31,983	1	30,864	1	93,944	4	2180	Accounts payable-Related parties (Note 7)	526	-	2,047	-	893	-
1200	Other receivables(Note 7)	17,728	-	16,295	1	12,506	-	2200	Other accounts payable (Note 7)	339,651	10	202,873	7	174,546	6
130X	Inventory (Note 6(4))	531,820	16	393,774	13	337,968	12	2230	Current income tax liabilities	88,826	3	67,425	2	43,086	2
1470	Other current assets(Note 8 and 9)	22,682	1	14,108	-	4,716	-	2280	Lease liabilities - Current (Note 6(9))	1,566	-	1,498	-	1,038	-
	Total current assets	<u>2,854,019</u>	<u>84</u>	<u>2,599,191</u>	<u>83</u>	<u>2,214,775</u>	<u>80</u>	2300	Other current liabilities (Note 7)	12,091	-	9,081	-	2,739	-
Non-current assets:								Total current liabilities		<u>858,497</u>		<u>808,210</u>		<u>554,059</u>	
1550	Investments by equity method(Note 6(5))	80,342	2	77,898	3	76,867	3	Non-current liabilities:							
1600	Property, plant and equipment (Note 6(6) and 8)	300,555	9	290,434	9	293,948	11	2580	Lease liabilities - Non-current (Note 6(9))	2,490	-	3,212	-	-	-
1755	Use Right assets (Note 6(7))	4,011	-	4,710	-	980	-	2600	Other non-current liabilities	4,481	-	11,286	-	6,958	-
1760	Net Investment property (Note 6(8) and 8)	71,273	2	71,577	2	71,880	3	Total non-current liabilities		<u>6,971</u>		<u>14,498</u>		<u>6,958</u>	
1840	Deferred income tax assets	11,830	-	11,830	-	16,401	-	Total liabilities		<u>865,468</u>		<u>822,708</u>		<u>561,017</u>	
1900	Other non-current assets(Note 9)	82,573	3	80,635	3	80,316	3	Equity attributable to the owner of the parent company:							
	Total non-current assets	<u>550,584</u>	<u>16</u>	<u>537,084</u>	<u>17</u>	<u>540,392</u>	<u>20</u>	3110	Capital stock of common stock	612,515	18	612,515	20	612,515	22
								3200	Capital reserves	630,512	19	630,512	20	630,512	23
								3310	Legal reserves	202,903	6	167,537	5	149,013	6
								3320	Special reserves	3,645	-	3,306	-	3,594	-
								3350	Undistributed earnings (Note 6(13))	1,092,641	32	903,342	29	802,128	29
								3410	Exchange differences on the translation of foreign operating organizations	(3,081)	-	(3,645)	-	(3,612)	-
									Total equity	<u>2,539,135</u>	<u>75</u>	<u>2,313,567</u>	<u>74</u>	<u>2,194,150</u>	<u>80</u>
Total assets		<u>\$ 3,404,603</u>	<u>100</u>	<u>3,136,275</u>	<u>100</u>	<u>2,755,167</u>	<u>100</u>	Total liabilities and equity		<u>\$ 3,404,603</u>	<u>100</u>	<u>3,136,275</u>	<u>100</u>	<u>2,755,167</u>	<u>100</u>

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

Niko Semiconductor and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three and Six months Ended June 30, 2022 and 2021
(Reviewed, not audited)

Unit: NT\$ thousands

	For the Three months Ended June 30 ,				For the Six months Ended June 30,			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating income (Note 6(15) and 7)							
5000	Operating costs (Note 6(4), (11), (16), 7 and 12)							
	490,701	67	486,819	70	1,018,443	68	1,018,409	71
	Gross operating profits							
	242,457	33	203,968	30	482,021	32	418,942	29
	Operating expenses (Note 6(3), (9),(11), (16), 7 and 12):							
6100	Sales promotion expenses							
	29,398	4	25,357	4	56,919	4	49,975	4
6200	Management expenses							
	49,335	7	40,531	6	93,991	6	86,994	6
6300	Research and development expenses							
	47,333	6	32,812	5	85,465	6	63,008	4
6450	Expected credit impairment loss (Reversal benefit)							
	(11)	-	42	-	41	-	79	-
	Total operating expenses							
	126,055	17	98,742	15	236,416	16	200,056	14
	Net operating profits							
	116,402	16	105,226	15	245,605	16	218,886	15
	Non-operating income and expenditure :							
7010	Other income (Note 6(17) and 7)							
	1,258	-	2,635	-	2,116	-	3,372	-
7020	Other profit and loss (Note 6(17))							
	79,635	11	(6,649)	-	136,189	10	(11,471)	-
7050	Financial costs (Note 6(9),(17))							
	(50)	-	(17)	-	(104)	-	(50)	-
7060	Share of interests of affiliated enterprises recognized by equity method (Note 6(5))							
	720	-	1,946	-	2,919	-	5,086	-
	Total non-operating income and expenditure							
	81,563	11	(2,085)	-	141,120	10	(3,063)	-
	Net profit before tax							
	197,965	27	103,141	15	386,725	26	215,823	15
7950	Minus: Income tax expenses (Note 6(12))							
	51,256	7	20,353	3	88,219	6	42,860	3
	Net profit							
	146,709	20	82,788	12	298,506	20	172,963	12
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							
	(335)	-	(150)	-	564	-	(306)	-
8399	Income tax related to items that may be reclassified							
	-	-	-	-	-	-	-	-
	Total items that may be reclassified to profit and loss in subsequent periods							
	(335)	-	(150)	-	564	-	(306)	-
8300	Other comprehensive income							
	(335)	-	(150)	-	564	-	(306)	-
	Total comprehensive income							
	\$ 146,374	20	82,638	12	299,070	20	172,657	12
	Earnings per share (NTD) (Note 6(14))							
	Basic earnings per share (NTD)							
	\$ 2.39		1.35		4.87		2.82	
	Diluted earnings per share (NTD)							
	\$ 2.35		1.34		4.74		2.78	

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, 2022 and 2021
(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>Undistributed Earnings</u>		
			<u>Legal reserves</u>	<u>Special reserves</u>			
Balance on January 1, 2021	\$ 612,515	630,512	149,013	3,594	629,165	(3,306)	2,021,493
Net profit	-	-	-	-	172,963	-	172,963
Other comprehensive income	-	-	-	-	-	(306)	(306)
Total comprehensive income	-	-	-	-	172,963	(306)	172,657
Balance on June 30, 2021	<u>\$ 612,515</u>	<u>630,512</u>	<u>149,013</u>	<u>3,594</u>	<u>802,128</u>	<u>(3,612)</u>	<u>2,194,150</u>
Balance on January 1, 2022	\$ 612,515	630,512	167,537	3,306	903,342	(3,645)	2,313,567
Net profit	-	-	-	-	298,506	-	298,506
Other comprehensive income	-	-	-	-	-	564	564
Total comprehensive income	-	-	-	-	298,506	564	299,070
Appropriation and distribution of earnings:							
Withdrawn legal reserves	-	-	35,366	-	(35,366)	-	-
Withdrawn special reserves	-	-	-	339	(339)	-	-
Cash dividend of common stock	-	-	-	-	(73,502)	-	(73,502)
Balance on June 30, 2022	<u>\$ 612,515</u>	<u>630,512</u>	<u>202,903</u>	<u>3,645</u>	<u>1,092,641</u>	<u>(3,081)</u>	<u>2,539,135</u>

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, 2022 and 2021
(Reviewed, not audited)

	Unit: NT\$ thousands	
	For the Six months	
	Ended June 30,	
	2022	2021
Cash flows of business activities:		
Current net profit before tax	\$ 386,725	215,823
Items of adjustment:		
Income expense loss item		
Depreciation expenses	10,435	10,900
Amortization expenses	126	101
Expected credit impairment loss	41	79
Net (profit) loss of financial liabilities by fair value through profit and loss	(1,909)	10,340
Interest expenses	104	50
Interest income	(443)	(116)
Share of interests of affiliated enterprises recognized by equity method	(2,919)	(5,086)
Loss of disposal on property, plant and equipment retired	9	35
Other	12,279	(13,769)
Total income expense loss item	<u>17,723</u>	<u>2,534</u>
Changes in assets and liabilities related to operating activities:		
Accounts receivable(including related parties)	(32,219)	(41,222)
Other receivables	(1,433)	(1,734)
Inventory	(150,325)	97,814
Other current assets	(2,771)	802
Long-term prepayment	(10,046)	(69,963)
Total net changes in assets related to operating activities	<u>(196,794)</u>	<u>(14,303)</u>
Accounts payable(including related parties)	(109,061)	51,606
Other payable	63,860	40,117
Other current liabilities	(2,702)	(1,332)
Net defined benefit liabilities	(1,115)	(1,111)
Total net changes in liabilities related to operating activities	<u>(49,018)</u>	<u>89,280</u>
Total net changes in assets and liabilities related to operating activities	<u>(245,812)</u>	<u>74,977</u>
Total items of adjustment	<u>(228,089)</u>	<u>77,511</u>
Cash inflow from operations	158,636	293,334
Collected interest	443	116
Paid interest	(104)	(50)
Paid income tax	(66,819)	(22,653)
Net cash inflow from operating activities	<u>92,156</u>	<u>270,747</u>
Cash flows of investment activities:		
Property, plant and equipment	(19,413)	(9,361)
Disposal of Property, plant and equipment	5	-
Decrease in refundable deposits	2,514	5,000
Obtain intangible assets	(333)	-
Net cash outflow from investment activities	<u>(17,227)</u>	<u>(4,361)</u>
Cash flows from financing activities:		
Increase in deposits received	9	-
Repayment of lease principal	(754)	(1,273)
Net cash outflow from financing activities	<u>(745)</u>	<u>(1,273)</u>
Impact of exchange rate changes on cash and equivalent cash	413	(260)
Current increase of cash and equivalent cash	74,597	264,853
Beginning balance of cash and equivalent cash	1,189,955	654,703
Ending balance of cash and equivalent cash	<u>\$ 1,264,552</u>	<u>919,556</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, 2022 and 2021
(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, 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 August 5, 2022.

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, 2022, which did not have 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"

(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, 2023, which shall not pose a material impact on the consolidated financial statements.

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

(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 which shall not pose a material impact on 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
- Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17—Comparative Information”

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 2021. For relevant information, please refer to Note 4 to the consolidated financial report of 2021.

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

(II) Consolidated basis

Subsidiaries included in consolidated financial report

Subsidiaries included in this consolidated financial report include:

Name of investment company	Name of subsidiary company	Nature of business	Holding equity percentage			Explanation
			June 30, 2022	December 31, 2021	June 30, 2021	
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

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

merged company are consistent with Note 5 to the consolidated financial report of 2021.

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

Judgment on whether the invested company has substantial control

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

VI. Description of Important Accounting Items

Except for the following, there is no significant difference between the description of important accounting items in this consolidated financial report and the consolidated financial report of 2021. For relevant information, please refer to Note 6 to the consolidated financial report of 2021.

(I) Cash and equivalent cash

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash on hand and petty cash	\$ 174	174	157
Checks and demand deposits	1,264,378	1,189,781	919,399
	<u>\$ 1,264,552</u>	<u>1,189,955</u>	<u>919,556</u>

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Non-hedging derivative instruments			
Exchange transaction contract	<u>\$ -</u>	<u>(1,909)</u>	<u>(6,526)</u>

As at June 30, 2022, the merged company didn't hold derivative instruments. As at December 31 and June 30 of 2021, the details of derivative instruments of financial liabilities held for trading due to the non-application of hedge accounting are as follows

<u>December 31, 2021</u>			
<u>Derivative financial commodities</u>	<u>Nominal principal (NT\$ thousands)</u>	<u>Maturity date</u>	<u>Delivery rate</u>
Exchange transaction contract-US\$ in/NT\$ out	US\$ 12,110	January 28, 2022~ February 25, 2022	27.721~27.873
<u>June 30, 2021</u>			
<u>Derivative financial commodities</u>	<u>Nominal principal (NT\$ thousands)</u>	<u>Maturity date</u>	<u>Delivery rate</u>
Exchange transaction contract-NT\$ in/US\$ out	US\$ 34,710	July 7, 2021~August 24, 2021	27.543~27.784

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

(III) Accounts receivable (including related parties)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts receivable	\$ 986,449	955,351	847,091
Accounts receivable-Related parties	32,047	30,926	94,133
Less: allowance for losses	<u>(1,259)</u>	<u>(1,218)</u>	<u>(1,195)</u>
	<u>\$ 1,017,237</u>	<u>985,059</u>	<u>940,029</u>

1. The merged company adopts a simplified approach to estimate the expected credit loss for all accounts receivable (including related parties), i.e. using the expected credit loss during the duration. For this measurement purpose, these accounts receivable (including related parties) 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 general economic and related industry information. An analysis of the expected credit losses of the merged company's accounts receivable (including related parties) is as follows:

	<u>June 30, 2022</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	\$ 1,011,227	0.1%~0.2%	1,152
1~30 days overdue	7,269	1%~2%	107
31~90 days overdue	-	10%~50%	-
91~180 days overdue	-	50%~70%	-
181~360 days overdue	-	100%	-
	<u>\$ 1,018,496</u>		<u>1,259</u>

	<u>December 31, 2021</u>		
	<u>Book amount of accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Expected credit loss during allowance duration</u>
Not overdue	\$ 980,624	0.1%~0.2%	1,144
1~30 days overdue	5,464	1%~2%	55
31~90 days overdue	189	10%~50%	19
91~180 days overdue	-	50%~70%	-
181~360 days overdue	-	100%	-
	<u>\$ 986,277</u>		<u>1,218</u>

	<u>June 30, 2021</u>		
	<u>Book amount of accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Expected credit loss during allowance duration</u>
Not overdue	\$ 938,077	0.1%~0.2%	1,151
1~30 days overdue	3,147	1%~2%	44
31~90 days overdue	-	10%~50%	-
91~180 days overdue	-	50%~70%	-
181~360 days overdue	-	100%	-
	<u>\$ 941,224</u>		<u>1,195</u>

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

2. The statement of changes in allowance losses for Accounts receivable (including related parties) of the merged company is as follows:

	<u>For the Six months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Balance at beginning of period	\$ 1,218	1,116
Impairment losses recognized	41	79
Balance at end of period	<u>\$ 1,259</u>	<u>1,195</u>

3. As of June 30, 2022, December 31 and June 30 of 2021, the Accounts receivable (including related parties) of the merged company has not been provided as pledge guarantee.

(IV) Inventory

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Raw materials	\$ 55,837	54,319	59,071
Work in process and semi-finished goods	300,869	233,772	194,709
Finished goods and commodity	175,114	105,683	84,188
	<u>\$ 531,820</u>	<u>393,774</u>	<u>337,968</u>

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

	<u>For the Three months Ended June 30,</u>		<u>For the Six months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Inventory depreciation loss (Reversal benefit)	<u>\$ 6,534</u>	<u>(6,898)</u>	<u>12,279</u>	<u>(13,738)</u>

2. As of June 30, 2022, December 31 and June 30 of 2021, the inventory of the merged company has not been provided as pledge guarantee.

(V) Investments using equity method

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Associated enterprise	<u>\$ 80,342</u>	<u>77,898</u>	<u>76,867</u>

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

	<u>For the Three months Ended June 30,</u>		<u>For the Six months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Share of profit and loss of affiliated enterprises using equity method	<u>\$ 720</u>	<u>1,946</u>	<u>2,919</u>	<u>5,086</u>

2. As of June 30, 2022, December 31 and June 30 of 2021, the investment of the merged company using the equity method has not been provided as pledge guarantee.

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

(VI) Property, plant and equipment

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

	Land	Houses and building	Office equipment and other	Equipment to be inspected	Total
Costs:					
Balance on January 1, 2022	\$ 161,823	120,062	86,686	8,595	377,166
Increase	-	82	8,531	10,800	19,413
Reclassified into (out)	-	-	3,555	(3,555)	-
Disposal	-	(2,744)	(8,728)	-	(11,472)
Impact of exchange rate changes	-	60	361	-	421
Balance on June 30, 2022	<u>\$ 161,823</u>	<u>117,460</u>	<u>90,405</u>	<u>15,840</u>	<u>385,528</u>
Balance on January 1, 2021	\$ 161,823	119,805	83,949	1,538	367,115
Increase	-	260	4,247	4,854	9,361
Reclassified into (out)	-	-	647	(647)	-
Disposal	-	-	(619)	-	(619)
Impact of exchange rate changes	-	(43)	(269)	-	(312)
Balance on June 30, 2021	<u>\$ 161,823</u>	<u>120,022</u>	<u>87,955</u>	<u>5,745</u>	<u>375,545</u>
Accumulated depreciation:					
Balance on January 1, 2022	\$ -	36,682	50,050	-	86,732
Depreciation this year	-	1,766	7,565	-	9,331
Disposal	-	(2,744)	(8,719)	-	(11,463)
Impact of exchange rate changes	-	59	314	-	373
Balance on June 30, 2022	<u>\$ -</u>	<u>35,763</u>	<u>49,210</u>	<u>-</u>	<u>84,973</u>
Balance on January 1, 2021	\$ -	33,119	39,967	-	73,086
Depreciation this year	-	1,913	7,451	-	9,364
Disposal	-	-	(584)	-	(584)
Impact of exchange rate changes	-	(42)	(227)	-	(269)
Balance on June 30, 2021	<u>\$ -</u>	<u>34,990</u>	<u>46,607</u>	<u>-</u>	<u>81,597</u>
Book amount:					
January 1, 2022	<u>\$ 161,823</u>	<u>83,380</u>	<u>36,636</u>	<u>8,595</u>	<u>290,434</u>
June 30, 2022	<u>\$ 161,823</u>	<u>81,697</u>	<u>41,195</u>	<u>15,840</u>	<u>300,555</u>
January 1, 2021	<u>\$ 161,823</u>	<u>86,686</u>	<u>43,982</u>	<u>1,538</u>	<u>294,029</u>
June 30, 2021	<u>\$ 161,823</u>	<u>85,032</u>	<u>41,348</u>	<u>5,745</u>	<u>293,948</u>

As of June 30, 2022, December 31 and June 30 of 2021, 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

	Houses and buildings
Book value:	
January 1, 2022	<u>\$ 4,710</u>
June 30, 2022	<u>\$ 4,011</u>
January 1, 2021	<u>\$ 2,877</u>
June 30, 2021	<u>\$ 980</u>

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

Between January 1 to June 30, 2022 and 2021, there were no significant recognition or reversals of increases, disposals 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 2021 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.

Book amount:	<u>Land</u>	<u>Houses and building</u>	<u>Total</u>
Balance on January 1, 2022	<u>\$ 48,068</u>	<u>23,509</u>	<u>71,577</u>
Balance on June 30, 2022	<u>\$ 48,068</u>	<u>23,205</u>	<u>71,273</u>
Balance on January 1, 2021	<u>\$ 48,068</u>	<u>24,115</u>	<u>72,183</u>
Balance on June 30, 2021	<u>\$ 48,068</u>	<u>23,812</u>	<u>71,880</u>

1. Between January 1 to June 30, 2022, and 2021, 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 2021 Consolidated Financial Report.
2. There is no significant difference between the fair value of the investing property of the merged company and the information disclosed in Note 6 (8) of the consolidated financial report of 2021.

(IX) Lease liabilities

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current	<u>\$ 1,566</u>	<u>1,498</u>	<u>1,038</u>
Non-current	<u>\$ 2,490</u>	<u>3,212</u>	<u>-</u>

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

	<u>For the Three months Ended June 30,</u>		<u>For the Six months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest expense on lease liabilities	<u>\$ 50</u>	<u>17</u>	<u>104</u>	<u>50</u>
Rental charges for short-term leases and low-value assets	<u>\$ 167</u>	<u>191</u>	<u>532</u>	<u>381</u>

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

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

	<u>For the Six months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Rental payments for operating activities	\$ (532)	(381)
Interest payments on lease liabilities for operating activities	(104)	(50)
Repayment of lease principal for financing activities	<u>(754)</u>	<u>(1,273)</u>
Total cash outflow from leases	<u>\$ (1,390)</u>	<u>(1,704)</u>

4. Lease of houses and buildings

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

5. Other leases

The merged company leased the employee dormitories, 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Less than 1 year	\$ 1,935	2,864	2,873
1 to 2 years	-	476	1,905
2 to 3 years	-	-	-
3 to 4 years	-	-	-
4 to 5 years	-	-	-
More than 5 years	<u>-</u>	<u>-</u>	<u>-</u>
Total undiscounted payments	<u>\$ 1,935</u>	<u>3,340</u>	<u>4,778</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, 2021 and 2020 to measure and disclose the pension costs during the interim period.

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2022	2021	2022	2021
Operating costs	\$ 10	10	21	21
Selling expenses	8	8	15	15
Administrative expenses	83	85	167	170
Research and development expenses	10	11	20	21
	<u>\$ 111</u>	<u>114</u>	<u>223</u>	<u>227</u>

2. Determine the allocation plan

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2022	2021	2022	2021
Operating costs	\$ 472	454	941	914
Selling expenses	364	306	692	583
Administrative expenses	390	493	755	1,041
Research and development expenses	676	567	1,325	1,173
	<u>\$ 1,902</u>	<u>1,820</u>	<u>3,713</u>	<u>3,711</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,	
	2022	2021	2022	2021
Current tax expense	<u>\$ 51,256</u>	<u>20,353</u>	<u>88,219</u>	<u>42,860</u>

- The merged Company's tax expenses of equity have not been recognized directly in April 1 to June 30 of 2022 and 2021, and January 1 to June 30 of 2022 and 2021.
- The merged Company's tax expenses under other comprehensive profit and loss have not been recognized in April 1 to June 30 of 2022 and 2021, and January 1 to June 30 of 2022 and 2021.
- 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 2020
Jinrong Investment	Has been approved to 2020

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

(XIII) Capital and other equity

Except for the following, there was no significant change in the capital and other equity of the merged company between January 1 to June 30 of 2022 and 2021. For relevant information, please refer to Note 6 (13) of the consolidated financial report of 2021.

1. Retained earnings

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

(2) Distribution of earnings

The Company's motion for earnings distribution for 2021 proposed by the Board of Directors on March 18, 2022, other earnings distribution items were resolved by the shareholders' meeting on June 8, 2022. And the motion for earnings distribution for 2020 resolved by the shareholders' meeting on August 24, 2021, the amount of the dividends distributed to shareholders is as follows:

	2021		2020	
	Share allotment rate (yuan)	Amount	Share allotment rate (yuan)	Amount
Dividends to ordinary owners:				
Cash	\$ 1.2	<u>73,502</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 June 30,		For the Six months Ended June 30,	
	2022	2021	2022	2021
Basic earnings per share:				
Current net profit attributable to the Company	<u>\$ 146,709</u>	<u>82,788</u>	<u>298,506</u>	<u>172,963</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>\$ 2.39</u>	<u>1.35</u>	<u>4.87</u>	<u>2.82</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,	
	2022	2021	2022	2021
Dilute earnings per share:				
Current net profit attributable to the Company	\$ <u>146,709</u>	<u>82,788</u>	<u>298,506</u>	<u>172,963</u>
Weighted average number of ordinary shares in circulation(thousand shares)(dilution)	<u>62,495</u>	<u>61,814</u>	<u>63,042</u>	<u>62,231</u>
Earnings per share (yuan)	\$ <u>2.35</u>	<u>1.34</u>	<u>4.74</u>	<u>2.78</u>

Weighted average number of ordinary shares in circulation (thousand shares)(dilution):

Weighted average number of ordinary shares in circulation (basic)	61,252	61,252	61,252	61,252
Impact of employee stock remuneration	<u>1,243</u>	<u>562</u>	<u>1,790</u>	<u>979</u>
Weighted average number of ordinary shares in circulation (dilution)	<u>62,495</u>	<u>61,814</u>	<u>63,042</u>	<u>62,231</u>

(XV) Revenue from customer contracts

1. Breakdown of income

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2022	2021	2022	2021
Major regional markets:				
Taiwan	\$ 166,091	185,349	351,565	383,308
Mainland China	557,147	497,382	1,129,733	1,037,184
Other countries	<u>9,920</u>	<u>8,056</u>	<u>19,166</u>	<u>16,859</u>
	<u>\$ 733,158</u>	<u>690,787</u>	<u>1,500,464</u>	<u>1,437,351</u>
Main products:				
Power MOSFET	\$ 680,407	617,129	1,401,204	1,298,492
Other	<u>52,751</u>	<u>73,658</u>	<u>99,260</u>	<u>138,859</u>
	<u>\$ 733,158</u>	<u>690,787</u>	<u>1,500,464</u>	<u>1,437,351</u>

2. Contract balance

	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable(including related parties)	\$ 1,018,496	986,277	941,224
Less: allowance for losses	<u>(1,259)</u>	<u>(1,218)</u>	<u>(1,195)</u>
Total	<u>\$ 1,017,237</u>	<u>985,059</u>	<u>940,029</u>

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

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

(XVI) Remuneration of employees, directors and supervisors

The company re-elected directors at the shareholders' meeting on June 8, 2022, and an audit committee established by independent directors will replace the supervisory authority, and the relevant provisions of the company's articles of association will be revised.

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 six months ended June 30, 2022 and 2021 is as follows:

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2022	2021	2022	2021
Employee remuneration	\$ 37,069	19,344	72,455	40,452
Supervisor remuneration	12,357	6,448	24,152	13,484
Total	<u>\$ 49,426</u>	<u>25,792</u>	<u>96,607</u>	<u>53,936</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 2021 and 2020 were NT\$ 76,395 thousands and NT\$ 44,477 thousands respectively, while the compensation for directors and supervisors were NT\$ 21,827 thousands and NT\$ 14,826 thousands respectively, which was no difference from the actual distribution. Relevant information can be found at the Public Information Platform.

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

(XVII) Non-operating income and expenditure

1. Other income

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2022	2021	2022	2021
Other income	\$ <u>1,258</u>	<u>2,635</u>	<u>2,116</u>	<u>3,372</u>

2. Other profit or loss

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

	For the Three months Ended June 30,		For the Six months Ended June 30,	
	2022	2021	2022	2021
Net profit (loss) of foreign currency exchange	\$ 90,157	(4,137)	136,729	(4,583)
Net loss of financial liabilities measured at fair value through profit or loss	(10,343)	(2,268)	-	(6,526)
Other	<u>(179)</u>	<u>(244)</u>	<u>(540)</u>	<u>(362)</u>
	\$ <u>79,635</u>	<u>(6,649)</u>	<u>136,189</u>	<u>(11,471)</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,	
	2022	2021	2022	2021
Interest expense	\$ <u>50</u>	<u>17</u>	<u>104</u>	<u>50</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 2021 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 June 30, 2022, December 31 and June 30 of 2021, the merged company received 49%, 49% and 43% 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

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

receivable. These customers have good profits and credit records in the past, and the merged company has not suffered any significant credit risk losses due to these customers during the reporting period.

2. Liquidity risk

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

	Book amount	Contracted cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
June 30, 2022							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 416,363	416,363	416,363	-	-	-	-
Other payable	339,651	339,651	339,651	-	-	-	-
Lease liabilities	4,056	4,554	948	930	1,803	873	-
Deposits received	5,726	5,726	5,712	11	-	-	3
	<u>\$ 765,796</u>	<u>766,294</u>	<u>762,674</u>	<u>941</u>	<u>1,803</u>	<u>873</u>	<u>3</u>
December 31, 2021							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 525,424	525,424	525,424	-	-	-	-
Other payable	202,873	202,873	202,873	-	-	-	-
Lease liabilities	4,710	5,401	945	928	1,801	1,727	-
Deposits received	5,704	5,704	-	-	5,699	-	5
Derivative financial liabilities	1,909						
Outflow	-	338,814	338,814	-	-	-	-
Inflow	-	(336,905)	(336,905)	-	-	-	-
	<u>\$ 740,620</u>	<u>741,311</u>	<u>731,151</u>	<u>928</u>	<u>7,500</u>	<u>1,727</u>	<u>5</u>
June 30, 2021							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 326,124	326,124	326,124	-	-	-	-
Other payable	174,546	174,546	174,546	-	-	-	-
Lease liabilities	1,038	1,053	1,053	-	-	-	-
Deposits received	5	5	-	-	-	-	5
Derivative financial liabilities	6,526						
Outflow	-	967,705	967,705	-	-	-	-
Inflow	-	(961,179)	(961,179)	-	-	-	-
	<u>\$ 508,239</u>	<u>508,254</u>	<u>508,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</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.

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

The merged company's capital, working capital and bank financing amount are sufficient to fulfill all contractual obligations, so there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations. In addition, the total amount of unused loan of the merged company on June 30, 2022 and December 31 and June 30 of 2021 were NT\$ 952,280 thousands, NT\$ 928,820 thousands and NT\$ 939,890 thousands respectively.

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:

	June 30, 2022			December 31, 2021			June 30, 2021			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	48,346	29.720	1,436,830	45,494	27.680	1,259,272	42,839	27.860	1,193,489
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		14,308	29.720	425,225	19,555	27.680	541,286	12,017	27.860	334,804

The exchange rate risk of the merged company mainly comes from cash denominated in foreign currency and equivalent cash, accounts receivable, other receivables, accounts payable and other payables, etc. Foreign currency exchange gains and losses are generated during conversion. On June 30, 2022 and 2021, 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 2022 and 2021 will increase or decrease by NT\$ 10,116 thousands and NT\$ 8,587 thousands respectively. The two phases of analysis adopt the same basis.

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

<u>Functional currency</u>	For the Three months Ended June 30,				For the Six months Ended June 30,			
	2022		2021		2022		2021	
	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	\$ 89,411	1	(3,960)	1	136,072	1	(4,457)	1
RMB	746	4.447	(177)	4.331	657	4.426	(126)	4.353
	<u>\$ 90,157</u>		<u>(4,137)</u>		<u>136,729</u>		<u>(4,583)</u>	

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

Financial liabilities at fair value through profit or loss – Current	\$ 1,909	<u>-</u>	<u>-</u>	<u>1,909</u>	<u>1,909</u>
Financial liabilities at amortized cost :					
Accounts payable (including related parties)	\$ 525,424				
Other payable	202,873				
Lease liabilities	4,710				
Deposits received	<u>5,704</u>				
Total	<u>\$ 738,711</u>				
		June 30, 2021			
			Fair value		
	Book amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost :					
Cash and equivalent cash	\$ 919,556				
Accounts receivable (including related parties)	940,029				
Other receivable	12,506				
Restricted bank deposits	3,744				
Refundable deposits	<u>10,077</u>				
Total	<u>\$ 1,885,912</u>				
Financial liabilities at fair value through profit or loss - Current	\$ 6,526	<u>-</u>	<u>-</u>	<u>6,526</u>	<u>6,526</u>
Financial liabilities at amortized cost :					
Accounts payable (including related parties)	\$ 326,124				
Other payable	174,546				
Lease liabilities	1,038				
Deposits received	<u>5</u>				
Total	<u>\$ 501,713</u>				

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

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 2022 and 2021.

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

(4) Schedule of Level 3 changes

	Financial liabilities at fair value through profit or loss
January 1, 2022	\$ (1,909)
Purchase/disposal/settlement	1,909
Recognized in profit or loss	<u>-</u>
June 30, 2022	<u><u>\$ -</u></u>
January 1, 2021	\$ 3,814
Purchase/disposal/settlement	(3,814)
Recognized in profit or loss	<u>(6,526)</u>
June 30, 2021	<u><u>\$ (6,526)</u></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 June 30, 2022 and 2021 are as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total profits or losses		
Recognized in profit or loss (reported in “Other profits and losses”)	<u>\$ -</u>	<u>(6,526)</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 2021.

(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 2021. 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 2021. Please refer to note 6(20) to consolidated financial report of 2021 for relevant information.

(XXI) Changes in liabilities from financial activities

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

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

	Changes of non-cash					June 30, 2022
	January 1, 2022	Cash flows	Interest expense	Derecognition	Exchange rate changes	
Lease liabilities	\$ 4,710	(754)	104	-	(4)	4,056
Deposits received	5,704	9	-	-	13	5,726
Total liabilities from financial activities	<u>\$ 10,414</u>	<u>(745)</u>	<u>104</u>	<u>-</u>	<u>9</u>	<u>9,782</u>

	Changes of non-cash					June 30, 2021
	January 1, 2021	Cash flows	Interest expense	Derecognition	Exchange rate changes	
Lease liabilities	\$ 3,008	(1,273)	50	(668)	(79)	1,038
Deposits received	5	-	-	-	-	5
Total liabilities from financial activities	<u>\$ 3,013</u>	<u>(1,273)</u>	<u>50</u>	<u>(668)</u>	<u>(79)</u>	<u>1,043</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)	Affiliated enterprise
Wuxi U-NIKC Semiconductor Corp., Ltd. (Wuxi U-NIKC Semiconductor)	Affiliated enterprise (Green Solution Technology's subsidiaries)
Wuxi U-NIKC Semiconductor (Hong Kong) Corp., Ltd. (Wuxi U-NIKC Semiconductor (Hong Kong))	"
Chang Kuan Investments Co., Ltd. (Chang Kuan Investments)	Its chairman is the same person as the company

(II) Major transactions with related parties

1. Sale to related parties

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

	Sales				Accounts receivable from related parties		
	For the Three months Ended June 30,		For the Six months Ended June 30,		June 30,	December	June 30,
	2022	2021	2022	2021	2022	31, 2021	2021
Associated enterprises:							
Other associated enterprises	\$ 29,970	81,265	62,422	144,276	32,047	30,926	94,133
Less: allowance for losses	-	-	-	-	(64)	(62)	(189)
	<u>\$ 29,970</u>	<u>81,265</u>	<u>62,422</u>	<u>144,276</u>	<u>31,983</u>	<u>30,864</u>	<u>93,944</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 June 30 of 2022 and 2021 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 Affiliated enterprise. As of June 30, 2022 and December 31 and June 30 of 2021, the unearned revenue has been NT\$ 2,830 thousands, NT\$ 2,636 thousands and NT\$ 0 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 June 30,		For the Six months Ended June 30,		June 30, 2022	December 31, 2021	June 30, 2021
	2022	2021	2022	2021			
Associated enterprises:							
Green Solution Technology	\$ 1,761	2,757	4,230	8,347	526	2,047	893

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 2022 and 2021 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				Other payable		
	For the Three months Ended June 30,		For the Six months Ended June 30,		June 30, 2022	December 31, 2021	June 30, 2021
	2022	2021	2022	2021			
Other related parties:							
Super Group Semiconductor - Product development project fees	\$ 2,800	3,500	4,300	5,300	2,940	2,310	3,675
Super Group Semiconductor - Product royalty fees	13,606	14,621	24,144	29,059	4,229	9,757	5,343
	<u>\$ 16,406</u>	<u>18,121</u>	<u>28,444</u>	<u>34,359</u>	<u>7,169</u>	<u>12,067</u>	<u>9,018</u>

As of June 30, 2022 and December 31 and June 30 of 2021, the new product development contracts and outsourcing design contracts signed by the merged company and its related parties have not yet been recognized due to the failure to reach the agreed development and design stage. Please refer to Note 9 for details.

4. Rental income

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

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

	Transaction amount				Other receivable		
	For the Three months		For the Six months		June 30, 2022	December 31, 2021	June 30, 2021
	Ended June 30, 2022	2021	Ended June 30, 2022	2021			
Associated enterprises:							
Green Solution Technology	\$ 715	714	1,429	1,428	250	250	250
Other related parties:							
Other related parties	7	5	11	9	5	11	2
	<u>\$ 722</u>	<u>719</u>	<u>1,440</u>	<u>1,437</u>	<u>255</u>	<u>261</u>	<u>252</u>

The merged company collects rent according to the contract, and the relevant rent is determined by negotiation between the two parties.

(III) Main management personnel transactions

Remuneration for main management personnel includes:

	For the Three months		For the Six months	
	Ended June 30,		Ended June 30,	
	2022	2021	2022	2021
Short-term employee welfare	\$ 11,777	8,776	24,891	17,431
Post-retirement welfare	111	114	223	227
Resignation welfare	-	-	-	-
Other long-term welfare	-	-	-	-
Share-based payment	-	-	-	-
	<u>\$ 11,888</u>	<u>8,890</u>	<u>25,114</u>	<u>17,658</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, 2022	December 31, 2021	June 30, 2021
Restricted bank deposits-Current	Performance bond	\$ -	-	3,744
Property, plant and equipment-Land	Bank loan	97,394	97,394	97,394
- Houses and buildings	"	46,919	47,533	48,148
Investing property - Land	"	48,068	48,068	48,068
- Houses and buildings	"	23,205	23,509	23,812
		<u>\$ 215,586</u>	<u>216,504</u>	<u>221,166</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, 2022	December 31, 2021	June 30, 2021
Guaranteed bill	\$ -	10,000	10,000

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

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Loan limit and financial commodities trading limit	<u>\$ 1,034,790</u>	<u>1,007,760</u>	<u>1,010,145</u>

(III) As of June 30, 2022 and December 31 and June 30 of 2021, 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\$ 30,400 thousands, NT\$ 28,000 thousands and NT\$ 26,500 thousands respectively; In addition, the merged company agreed in the new product development contract that when the product enters the mass production stage, it shall pay the royalty fee according to the relevant wafer purchase quantity and the agreed price.

(IV) The merged company signed a capacity guarantee purchase contract with the supplier on May 30, 2018, and due to the agreement on the minimum purchase amount, the deposit amount shall be paid. As of June 30, 2022, December 31 and June 30 of 2021, the deposit amount has been NT\$ 7,500 thousands, NT\$ 10,000 thousands and NT\$ 10,000 thousands respectively under other current assets and other non-current assets.

(V) The merged company signed a capacity guarantee purchase contract with the supplier on May 7 and November 30, 2021, and due to the agreement on the purchase amount, the amount shall be paid in advance. As of June 30, 2022, December 31 and June 30, 2021, the prepaid amount has been NT\$ 78,449 thousands, \$ 82,066 thousands and \$ 69,963 thousands respectively under other current assets and other non-current assets.

(VI) The merged company signed a capacity guarantee purchase contract with the supplier on January 28, 2022, and due to the agreement on the purchase amount, the amount shall be paid in advance. As of June 30, 2022, the prepaid amount has been NT\$ 13,664 thousands respectively under other current assets and other non-current assets.

X. Major disaster losses: None.

XI. Major post-date events:

On August 5, 2022, the company resolved by the board of directors and planned to invest in Super Group Semiconductor Co., Ltd. through its subsidiary Jinrong Investment with an total investment amount of NT\$ 45,000 thousands.

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

XII. Other

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

Function	For the Three months Ended June 30, 2022			For the Three months Ended June 30, 2021		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Quality						
Staff welfare expenses						
Salary expense	14,682	71,169	85,851	11,503	50,821	62,324
Labor and health insurance expenses	870	1,958	2,828	857	1,918	2,775
Pension expenses	482	1,531	2,013	466	1,468	1,934
Other employee welfare expenses	600	1,368	1,968	592	1,342	1,934
Depreciation expense	1,353	3,913	5,266	1,399	4,073	5,472
Amortization expense	-	72	72	-	49	49

Function	For the Six months Ended June 30, 2022			For the Six months Ended June 30, 2021		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Quality						
Staff welfare expenses						
Salary expense	29,151	137,678	166,829	23,116	106,734	129,850
Labor and health insurance expenses	1,910	4,307	6,217	1,853	4,270	6,123
Pension expenses	962	2,974	3,936	936	3,002	3,938
Other employee welfare expenses	1,214	2,742	3,956	1,203	2,813	4,016
Depreciation expense	2,694	7,741	10,435	2,782	8,118	10,900
Amortization expense	-	126	126	-	101	101

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 2022 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.

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

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, 2022			
				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 expenses	12,445	Before the 25th of the following month	0.83%
0	"	"	Transactions between parent company and subsidiary	Other payable	921	"	0.03%
1	Power Up Tech Co. Ltd.	Wuxi Super GEM Microelectronics Co., Ltd.	Inter-subsidiary transactions	Operating costs	12,099	"	0.81%
1	"	"	Inter-subsidiary transactions	Other payable	892	"	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 June 30 of 2022 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%	80,192	2,642	2,646	Note1
"	Power Up Tech Co., Ltd.	Samoa	Holding company	30,744	30,744	1,930,000	100.00%	40,827	3,000	3,000	"
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%	81,254	23,314	2,915	Note2

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

Note 2: Jinrong Investment's affiliated enterprise..

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

(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: NTS thousands

Name of mainland Invested Company	Major business items	Paid-in capital	Investing mode	Accumulated investment amount remitted from Taiwan at beginning of current period	Amount of investment remitted or recovered in current period		Accumulated investment amount remitted from Taiwan at end of current period	Invested company Current profit and loss	Shareholding ratio of Company's direct or indirect investment	Investment profits and losses recognized for current period	Book value of final investment	Remitted back investment income as of end of current period
					remitted	recovered						
Wuxi Super GEM Microelectronics Co., Ltd.	Metal oxide semiconductor manufacturing, development and sales business, product quality monitoring and testing services; Selling self-produced products	46,906	Note1	61,463	-	-	61,463	1,690	100.00%	1,690	23,382	-

Note 1: Indirect investment through third place Power Up Tech Co., Ltd.

Note 2 : The investment industry above has been written off when preparing the consolidated financial report.

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	1,523,481

3. Major transactions with mainland invested companies:

From January 1 to June 30 of 2022, the direct or indirect major transactions between the merged company and mainland invested companies, Please refer to note 13(1) "Business Relationships and Important Transactions between Parent and Subsidiaries" for details. 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.		3,345,257	5.46%

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 June 30 of 2022 and 2021 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.