

Stock code: 3317

**NIKO SEMICONDUCTOR CO., LTD. AND
SUBSIDIARIES CONSOLIDATED FINANCIAL
STATEMENTS WITH REPORT OF
INDEPENDENT AUDITORS
FOR THE NINE MONTHS
ENDED SEPTEMBER 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 September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the nine months then ended September 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 September 30, 2022 and 2021 were NT\$ 209,439 thousands and NT\$ 121,774 thousands respectively, accounting for 6.09% and 4.23% of the total consolidated assets respectively. The total liabilities were NT\$ 9,001 thousands and NT\$ 3,769 thousands respectively, accounting for 1.13% and 0.57% of the total consolidated liabilities respectively. The absolute value of the consolidated profit and loss for the three and nine months ended September 30, 2022 and 2021 were NT\$ 30,461 thousands, NT\$ 4,894 thousands, NT\$ 36,667 thousands and NT\$ 10,350 thousands respectively, accounting for 29.11%, 5.79%, 9.08% and 4.02% of the consolidated profit and loss respectively.

Reserved Conclusion

According to the results of our review, except that the financial reports of these invested companies mentioned in the basic paragraph of the reserved conclusion, if reviewed by us, may affect the consolidated financial reports, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Company as of September 30, 2022 and 2021, and of its consolidated financial performance for the three-month periods then ended September 30, 2022 and 2021, as well as of its consolidated financial performance and its consolidated cash flows for the nine-month periods then ended September 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

November 4, 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

September 30, 2022, December 31 and September 30, 2021

Unit: NT\$ thousands

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

		September 30, 2022		December 31, 2021		September 30, 2021				September 30, 2022		December 31, 2021		September 30, 2021	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%	Amount	%
Current assets		Current liabilities													
1100	Cash and equivalent cash (Note 6(1))	\$ 1,209,989	35	1,189,955	38	969,244	34	2120	Financial liabilities measured at fair value through profits						
1170	Net accounts receivable(Note 6(3)and(15))	808,796	24	954,195	30	904,245	31		and losses - Current(Note 6(2))	\$ 11,082	-	1,909	-	280	-
1180	Accounts receivable – Net amount of Related parties(Note 6(3) 、(15) and 7)	-	-	30,864	1	58,742	2	2170	Accounts payable	395,469	12	523,377	17	361,532	13
1200	Other receivables(Note 7)	26,346	1	16,295	1	23,665	1	2180	Accounts payable-Related parties (Note 7)	-	-	2,047	-	1,251	-
130X	Inventory (Note 6(4))	739,640	21	393,774	13	371,257	13	2200	Other payable (Note 7)	297,913	9	202,873	7	210,535	7
1470	Other current assets(Note 8 and 9)	32,708	1	14,108	-	6,147	-	2230	Current income tax liabilities	66,938	2	67,425	2	71,010	3
	Total current assets	2,817,479	82	2,599,191	83	2,333,300	81	2280	Lease liabilities - Current (Note 6(9))	2,328	-	1,498	-	477	-
								2300	Other current liabilities(Note 6(15) and 7)	13,953	-	9,081	-	7,150	-
									Total current liabilities	787,683	23	808,210	26	652,235	23
Non-current assets:		Non-current liabilities:													
1550	Investments by equity method(Note 6(5) and 7)	151,174	5	77,898	3	81,752	3		Lease liabilities - Non-current (Note 6(9))	3,067	-	3,212	-	-	-
1600	Property, plant and equipment (Note 6(6) and 8)	302,916	9	290,434	9	292,200	10	2580	Other non-current liabilities	3,920	-	11,286	-	6,402	-
1755	Use Right assets (Note 6(7))	5,325	-	4,710	-	447	-	2600	Total non-current liabilities	6,987	-	14,498	-	6,402	-
1760	Net Investment property (Note 6(8) and 8)	71,122	2	71,577	2	71,728	2		Total liabilities	794,670	23	822,708	26	658,637	23
1840	Deferred income tax assets	11,830	-	11,830	-	16,401	1		Equity attributable to the owner of the parent company:						
1900	Other non-current assets(Note 9)	78,602	2	80,635	3	80,264	3	3110	Capital stock of common stock	612,515	18	612,515	20	612,515	21
	Total non-current assets	620,969	18	537,084	17	542,792	19	3200	Capital reserves	630,512	18	630,512	20	630,512	22
								3310	Legal reserves	202,903	6	167,537	5	167,537	6
								3320	Special reserves	3,645	-	3,306	-	3,306	-
								3350	Undistributed earnings (Note 6(13))	1,197,501	35	903,342	29	807,216	28
								3410	Exchange differences on the translation of foreign operating organizations	(3,298)	-	(3,645)	-	(3,631)	-
									Total equity	2,643,778	77	2,313,567	74	2,217,455	77
Total assets		\$ 3,438,448	100	3,136,275	100	2,876,092	100		Total liabilities and equity	\$ 3,438,448	100	3,136,275	100	2,876,092	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 Nine months Ended September 30, 2022 and 2021
(Reviewed, not audited)

Unit: NT\$ thousands

		For the Three months Ended September 30,				For the Nine months Ended September 30,			
		2022		2021		2022		2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating income (Note 6(15) and 7)	\$ 555,258	100	694,428	100	2,055,722	100	2,131,779	100
5000	Operating costs (Note 6(4), (11), (16), 7 and 12)	379,578	68	490,927	71	1,398,021	68	1,509,336	71
	Gross operating profits	175,680	32	203,501	29	657,701	32	622,443	29
	Operating expenses (Note 6(3), (9), (11), (16), 7 and 12):								
6100	Sales promotion expenses	23,927	5	26,096	4	80,846	4	76,071	4
6200	Management expenses	40,467	7	36,552	5	134,458	7	123,546	6
6300	Research and development expenses	42,901	8	36,696	5	128,366	6	99,704	4
6450	Expected credit impairment loss (Reversal benefit)	(195)	-	63	-	(154)	-	142	-
	Total operating expenses	107,100	20	99,407	14	343,516	17	299,463	14
	Net operating profits	68,580	12	104,094	15	314,185	15	322,980	15
	Non-operating income and expenditure :								
7010	Other income (Note 6(17) and 7)	888	-	2,138	-	3,004	-	5,510	-
7020	Other profit and loss (Note 6(5), (17))	56,830	10	1,623	-	193,019	10	(9,848)	-
7050	Financial costs (Note 6(9), (17))	(68)	-	(10)	-	(172)	-	(60)	-
7060	Share of interests of affiliated enterprises recognized by equity method (Note 6(5))	(1,368)	-	4,655	1	1,551	-	9,741	-
	Total non-operating income and expenditure	56,282	10	8,406	1	197,402	10	5,343	-
	Net profit before tax	124,862	22	112,500	16	511,587	25	328,323	15
7950	Minus: Income tax expenses (Note 6(12))	20,002	3	27,924	4	108,221	5	70,784	3
	Net profit	104,860	19	84,576	12	403,366	20	257,539	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	(217)	-	(19)	-	347	-	(325)	-
8399	Income tax related to items that may be reclassified	-	-	-	-	-	-	-	-
	Total items that may be reclassified to profit and loss in subsequent periods	(217)	-	(19)	-	347	-	(325)	-
8300	Other comprehensive income	(217)	-	(19)	-	347	-	(325)	-
	Total comprehensive income	\$ 104,643	19	84,557	12	403,713	20	257,214	12
	Earnings per share (NTD) (Note 6(14))								
	Basic earnings per share (NTD)	\$ 1.71		1.38		6.59		4.20	
	Diluted earnings per share (NTD)	\$ 1.66		1.36		6.35		4.12	

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

Niko Semiconductor and Subsidiaries
Consolidated Statements of Changes in Equity
For the Nine months Ended September 30, 2022 and 2021
(Reviewed, not audited)

Unit: NT\$ thousands

	Equity attributable to owners of parent company					Exchange differences on the translation of foreign operating organizations	Total Equity
	Capital stock of common stock	Capital reserves	Legal reserves	Special reserves	Undistributed Earnings		
Balance on January 1, 2021	\$ 612,515	630,512	149,013	3,594	629,165	(3,306)	2,021,493
Net profit	-	-	-	-	257,539	-	257,539
Other comprehensive income	-	-	-	-	-	(325)	(325)
Total comprehensive income	-	-	-	-	257,539	(325)	257,214
Appropriation and distribution of earnings:							
Withdrawn legal reserves	-	-	18,524	-	(18,524)	-	-
Reverse special reserves	-	-	-	(288)	288	-	-
Cash dividend of common stock	-	-	-	-	(61,252)	-	(61,252)
Balance on September 30, 2021	\$ 612,515	630,512	167,537	3,306	807,216	(3,631)	2,217,455
Balance on January 1, 2022	\$ 612,515	630,512	167,537	3,306	903,342	(3,645)	2,313,567
Net profit	-	-	-	-	403,366	-	403,366
Other comprehensive income	-	-	-	-	-	347	347
Total comprehensive income	-	-	-	-	403,366	347	403,713
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 September 30, 2022	\$ 612,515	630,512	202,903	3,645	1,197,501	(3,298)	2,643,778

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

Niko Semiconductor and Subsidiaries
Consolidated Statements of Cash Flows
For the Nine months Ended September 30, 2022 and 2021
(Reviewed, not audited)

	Unit: NT\$ thousands	
	For the Nine months Ended September 30,	
	2022	2021
Cash flows of operating activities:		
Current net profit before tax	\$ 511,587	328,323
Items of adjustment:		
Income expense loss item		
Depreciation expenses	16,263	16,245
Amortization expenses	204	153
Expected credit impairment loss (Reversal benefit)	(154)	142
Net loss of financial liabilities by fair value through profit and loss	9,173	4,094
Interest expenses	172	60
Interest income	(489)	(123)
Share of interests of affiliated enterprises recognized by equity method	(1,551)	(9,741)
Loss of disposal on property, plant and equipment retired	9	91
Other	(3,129)	(12,190)
Total income expense loss item	20,498	(1,269)
Changes in assets and liabilities related to operating activities:		
Accounts receivable(including related parties)	176,417	(64,243)
Other receivables	(10,051)	(12,893)
Inventory	(372,234)	62,942
Other current assets	(10,967)	(629)
Long-term prepayment	(7,790)	(69,963)
Total net changes in assets related to operating activities	(224,625)	(84,786)
Accounts payable(including related parties)	(129,955)	88,265
Other payables	94,985	75,876
Other current liabilities	(840)	3,079
Net defined benefit liabilities	(1,673)	(1,667)
Total net changes in liabilities related to operating activities	(37,483)	165,553
Total net changes in assets and liabilities related to operating activities	(262,108)	80,767
Total items of adjustment	(241,610)	79,498
Cash inflow from operations	269,977	407,821
Collected interest	489	123
Collected dividend	2,932	-
Paid interest	(172)	(60)
Paid income tax	(108,708)	(22,653)
Net cash inflow from operating activities	164,518	385,231
Cash flows of investment activities:		
Obtain investments accounted for using equity method	(45,000)	-
Property, plant and equipment	(26,835)	(12,402)
Disposal of Property, plant and equipment	5	19
Decrease in refundable deposit	2,514	5,000
Obtain intangible assets	(526)	-
Net cash outflow from investment activities	(69,842)	(7,383)
Cash flows from financing activities:		
Increase in deposits received	6	-
Repayment of lease principal	(1,328)	(1,758)
Distribution of cash dividends	(73,502)	(61,252)
Net cash outflow from financing activities	(74,824)	(63,010)
Impact of exchange rate changes on cash and equivalent cash	182	(297)
Current increase of cash and equivalent cash	20,034	314,541
Beginning balance of cash and equivalent cash	1,189,955	654,703
Ending balance of cash and equivalent cash	<u>\$ 1,209,989</u>	<u>969,244</u>

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

Niko Semiconductor and Subsidiaries
Notes to Consolidated Financial Statements
For the Nine months Ended September 30, 2022 and 2021
(Unless otherwise specified, all amounts are in unit of NT\$ thousands)
(Reviewed, not audited)

I. Company evaluation

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

II. Date and Procedure of Adoption of Financial Report

The consolidated financial report was approved and released by the Board of Directors on November 4, 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 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”
- Amendments to IFRS 16 “Interest Rate Benchmark Reform”

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.

(II) Consolidated basis

Subsidiaries included in this consolidated financial report include:

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

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

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

Judgment on whether the invested company has substantial control

The merged 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 merged 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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand and petty cash	\$ 163	174	231
Checks and demand deposits	1,209,826	1,189,781	969,013
	<u>\$ 1,209,989</u>	<u>1,189,955</u>	<u>969,244</u>

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

The details of derivative financial products held by the merged company are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Non-hedging derivative instruments			
Exchange transaction contract	<u>\$ (11,082)</u>	<u>(1,909)</u>	<u>(280)</u>

As at September 30, 2022 and December 31 and September 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:

September 30, 2022			
<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\$ 9,790	October 12, 2022~ October 13, 2022	30.621~30.648
December 31, 2021			
<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

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

September 30, 2021			
Derivative financial commodities	Nominal principal (NT\$ thousands)	Maturity date	Delivery rate
Exchange transaction contract-NT\$ in/US\$ out	US\$ 34,710	October 6, 2021~ November 10, 2021	27.661~27.957
Exchange transaction contract-US\$ in/NT\$ out	US\$ 11,770	October 29, 2021~ November 30, 2021	27.573~27.848

(III) Accounts receivable (including related parties)

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable	\$ 809,860	955,351	905,386
Accounts receivable-Related parties	-	30,926	58,859
Less: allowance for losses	(1,064)	(1,218)	(1,258)
	<u>\$ 808,796</u>	<u>985,059</u>	<u>962,987</u>

- 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:

	September 30, 2022		
	Book amount of accounts receivable (including related parties)	Weighted average expected credit loss rate	Expected credit loss during allowance duration
Not overdue	\$ 802,223	0.1%~0.2%	904
1~30 days overdue	6,762	1%~2%	72
31~90 days overdue	875	10%~50%	88
91~180 days overdue	-	50%~70%	-
181~360 days overdue	-	100%	-
	\$ 809,860		1,064

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

	December 31, 2021		
	Book amount of accounts receivable (including related parties)	Weighted average expected credit loss rate	Expected credit loss during allowance duration
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>

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

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

	For the Nine months Ended September 30,	
	2022	2021
Balance at beginning of period	\$ 1,218	1,116
Impairment losses recognized	-	142
Impairment losses reversal benefit	(154)	-
Balance at end of period	<u>\$ 1,064</u>	<u>1,258</u>

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

(IV) Inventory

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 55,261	54,319	54,862
In-process and semi-finished products	441,973	233,772	210,591
Finished products and goods	242,406	105,683	105,804
	<u>\$ 739,640</u>	<u>393,774</u>	<u>371,257</u>

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

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:

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Inventory depreciation and obsolescence loss				
(Reversal benefit)	\$ <u>14,089</u>	<u>1,583</u>	<u>26,368</u>	<u>(12,155)</u>

2. As of September 30, 2022, December 31 and September 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:

	September 30, 2022	December 31, 2021	September 30, 2021
Associated enterprise	\$ <u>151,174</u>	<u>77,898</u>	<u>81,752</u>

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

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Share of profit of related venture using equity method	\$ <u>(1,368)</u>	<u>4,655</u>	<u>1,551</u>	<u>9,741</u>

2. The merged company was reinvested in Super Group Semiconductor Co., Ltd. (hereinafter referred to as " Super Group Semiconductor ") through its subsidiary Jinrong Investment resolved by the Board of Directors on August 5, 2022. As of September 30 , 2022, it acquired 1,000,000 shares of Super Group Semiconductor with NT\$ 45,000 thousands, accounting for 28.57% of the equity. So it has a major influence on Super Group Semiconductor. The aforementioned transaction price has been fully paid. The merged company recognizes the difference between the investment price and the fair value of the net identifiable assets of Super Group Semiconductor as bargain purchase gain NT\$ 29,494 thousands which is listed under other profits and losses.
3. As of September 30, 2022, December 31 and September 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		-	222	11,692	14,921	26,835
Reclassified into (out)		-	-	19,395	(19,395)	-
Disposal		-	(2,744)	(12,199)	-	(14,943)
Impact of exchange rate changes		-	81	491	-	572
Balance on September 30, 2022	\$	<u>161,823</u>	<u>117,621</u>	<u>106,065</u>	<u>4,121</u>	<u>389,630</u>
Balance on January 1, 2021	\$	161,823	119,805	83,949	1,538	367,115
Increase		-	260	4,447	7,695	12,402
Reclassified into (out)		-	-	647	(647)	-
Disposal		-	-	(2,344)	-	(2,344)
Impact of exchange rate changes		-	(45)	(282)	-	(327)
Balance on September 30, 2021	\$	<u>161,823</u>	<u>120,020</u>	<u>86,417</u>	<u>8,586</u>	<u>376,846</u>
Accumulated depreciation:						
Balance on January 1, 2022	\$	-	36,682	50,050	-	86,732
Depreciation this year		-	2,511	11,896	-	14,407
Disposal		-	(2,744)	(12,190)	-	(14,934)
Impact of exchange rate changes		-	81	428	-	509
Balance on September 30, 2022	\$	<u>-</u>	<u>36,530</u>	<u>50,184</u>	<u>-</u>	<u>86,714</u>
Balance on January 1, 2021	\$	-	33,119	39,967	-	73,086
Depreciation this year		-	2,869	11,228	-	14,097
Disposal		-	-	(2,253)	-	(2,253)
Impact of exchange rate changes		-	(45)	(239)	-	(284)
Balance on September 30, 2021	\$	<u>-</u>	<u>35,943</u>	<u>48,703</u>	<u>-</u>	<u>84,646</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>
September 30, 2022	\$	<u>161,823</u>	<u>81,091</u>	<u>55,881</u>	<u>4,121</u>	<u>302,916</u>
January 1, 2021	\$	<u>161,823</u>	<u>86,686</u>	<u>43,982</u>	<u>1,538</u>	<u>294,029</u>
September 30, 2021	\$	<u>161,823</u>	<u>84,077</u>	<u>37,714</u>	<u>8,586</u>	<u>292,200</u>

As of September 30, 2022, December 31 and September 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.

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

(VII) Right-of-use assets

	Houses and buildings
Book value:	
January 1, 2022	\$ <u>4,710</u>
September 30, 2022	\$ <u>5,325</u>
January 1, 2021	\$ <u>2,877</u>
September 30, 2021	\$ <u>447</u>

Between January 1 to September 30, 2022 and 2021, there were no significant recognition or reversals of additions, disposals or impairments 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.

	Land	Houses and building	Total
Book amount:			
Balance on January 1, 2022	\$ <u>48,068</u>	<u>23,509</u>	<u>71,577</u>
Balance on September 30, 2022	\$ <u>48,068</u>	<u>23,054</u>	<u>71,122</u>
Balance on January 1, 2021	\$ <u>48,068</u>	<u>24,115</u>	<u>72,183</u>
Balance on September 30, 2021	\$ <u>48,068</u>	<u>23,660</u>	<u>71,728</u>

- Between January 1 to September 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.
- 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:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	\$ <u>2,328</u>	<u>1,498</u>	<u>477</u>
Non-current	\$ <u>3,067</u>	<u>3,212</u>	<u>-</u>

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

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

2. The amounts recognized in profit or loss are as follows:

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Interest expense on lease liabilities	\$ 68	10	172	60
Rental charges for short-term leases and low-value assets	\$ 380	196	912	577

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

	For the Nine months Ended September 30,	
	2022	2021
Rental payments for operating activities	\$ (912)	(577)
Interest payments on lease liabilities for operating activities	(172)	(60)
Repayment of lease principal for financing activities	(1,328)	(1,758)
Total cash outflow from leases	\$ (2,412)	(2,395)

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:

	September 30, 2022	December 31, 2021	September 30, 2021
Less than 1 year	\$ 1,212	2,864	2,869
1 to 2 years	-	476	1,190
2 to 3 years	-	-	-
3 to 4 years	-	-	-
4 to 5 years	-	-	-
More than 5 years	-	-	-
Total undiscounted payments	\$ 1,212	3,340	4,059

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

(XI) Employee benefits

1. Determine the welfare plan

Since there were no major market fluctuations, major reductions, liquidations or other major one-off events after the end of the previous fiscal year, the merged company adopted the pension costs determined by actuarial calculations on December 31, 2021 and 2020 to measure and disclose the pension costs during the interim period.

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Operating costs	\$ 10	11	31	32
Selling expenses	7	7	22	22
Administrative expenses	83	85	250	255
Research and development expenses	11	10	31	31
	<u>\$ 111</u>	<u>113</u>	<u>334</u>	<u>340</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 September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Operating costs	\$ 450	458	1,391	1,372
Selling expenses	345	328	1,037	911
Administrative expenses	393	450	1,148	1,491
Research and development expenses	678	593	2,003	1,766
	<u>\$ 1,866</u>	<u>1,829</u>	<u>5,579</u>	<u>5,540</u>

(XII) Tax

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

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Current tax expense	<u>\$ 20,002</u>	<u>27,924</u>	<u>108,221</u>	<u>70,784</u>

- The merged Company's tax expenses of equity have not been recognized directly in July 1 to September 30 of 2022 and 2021, and January 1 to September 30 of 2022 and 2021.
- The merged Company's tax expenses under other comprehensive profit and loss have not been recognized in July 1 to September 30 of 2022 and 2021, and January 1 to September 30 of 2022 and 2021.

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

4. The merged Company's profit-making enterprise tax settlement declaration has been approved by the tax collection authority as follows:

	<u>Approved Year</u>
The Company	Has been approved to 2020
Jinrong Investment	Has been approved to 2020

(XIII) Capital and other rights

Except for the following, there was no significant change in the capital and other equity of the merged company between January 1 to September 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. If all or part of the distribution of dividends and bonuses in the preceding paragraph is done in cash, the board of directors shall be authorized to make a resolution and report at the shareholders' meeting.

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:

	<u>2021</u>		<u>2020</u>	
	<u>Share allotment rate (yuan)</u>	<u>Amount</u>	<u>Share allotment rate (yuan)</u>	<u>Amount</u>
Dividends to ordinary owners:				
Cash	\$ 1.2	<u><u>73,502</u></u>	1.0	<u><u>61,252</u></u>

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

(XIV) Earnings per share

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

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Basic earnings per share:				
Current net profit attributable to the				
Company	\$ <u>104,860</u>	<u>84,576</u>	<u>403,366</u>	<u>257,539</u>
Weighted average number of ordinary				
shares in circulation(thousand				
shares)	<u>61,252</u>	<u>61,252</u>	<u>61,252</u>	<u>61,252</u>
Earnings per share (yuan)	\$ <u>1.71</u>	<u>1.38</u>	<u>6.59</u>	<u>4.20</u>
Dilute earnings per share:				
Current net profit attributable to the				
Company	\$ <u>104,860</u>	<u>84,576</u>	<u>403,366</u>	<u>257,539</u>
Weighted average number of ordinary				
shares in circulation(thousand				
shares)(dilution)	<u>63,189</u>	<u>62,173</u>	<u>63,554</u>	<u>62,451</u>
Earnings per share (yuan)	\$ <u>1.66</u>	<u>1.36</u>	<u>6.35</u>	<u>4.12</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>1,937</u>	<u>921</u>	<u>2,302</u>	<u>1,199</u>
Weighted average number of ordinary				
shares in circulation (dilution)	<u>63,189</u>	<u>62,173</u>	<u>63,554</u>	<u>62,451</u>

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

(XV) Revenue from customer contracts

1. Breakdown of income

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Major regional markets:				
Taiwan	\$ 119,741	214,885	471,306	598,193
Mainland China	420,461	471,275	1,550,194	1,508,459
Other countries	<u>15,056</u>	<u>8,268</u>	<u>34,222</u>	<u>25,127</u>
	<u>\$ 555,258</u>	<u>694,428</u>	<u>2,055,722</u>	<u>2,131,779</u>
Main products:				
Power MOSFET	\$ 547,117	660,200	1,948,321	1,958,692
Other	<u>8,141</u>	<u>34,228</u>	<u>107,401</u>	<u>173,087</u>
	<u>\$ 555,258</u>	<u>694,428</u>	<u>2,055,722</u>	<u>2,131,779</u>

2. Contract balance

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable (including related parties)	\$ 809,860	986,277	964,245
Less: allowance for losses	<u>(1,064)</u>	<u>(1,218)</u>	<u>(1,258)</u>
Total	<u>\$ 808,796</u>	<u>985,059</u>	<u>962,987</u>
Contract liabilities	<u>\$ 7,589</u>	<u>8,478</u>	<u>4,854</u>

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

The beginning balance of contract liabilities on January 1, 2022 and 2021 was recognized as revenue of NT\$ 4,157 thousands and NT\$ 1,677 thousands from January 1 to September 30, 2022 and 2021 respectively.

The change in contract liabilities is mainly attributable to the difference between the time when the merged company transfers the product to the customer to satisfy the performance obligation and the time when the customer pays.

(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 Company's revised Articles of Association, if there is any profit in the year, no less than 10% shall be allocated as employee remuneration and no more than 5% as director remuneration. The remuneration of employees is decided by the Board of Directors

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

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

The estimation of employee remuneration and supervisor remuneration for the three and nine months ended September 30, 2022 and 2021 is as follows:

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Employee remuneration	\$ 23,410	21,050	95,865	61,502
Supervisor remuneration	7,803	7,017	31,955	20,501
Total	<u>\$ 31,213</u>	<u>28,067</u>	<u>127,820</u>	<u>82,003</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 the impact of changement 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 estimated 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 September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Other income	\$ <u>888</u>	<u>2,138</u>	<u>3,004</u>	<u>5,510</u>

2. Other profit or loss

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

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Net profit (loss) of foreign currency exchange	\$ 38,603	(4,412)	175,332	(8,995)
Net profits (losses) of financial liabilities at fair value through profit or loss	(11,082)	6,246	(11,082)	(280)
Gain recognized in bargain purchase transaction	29,494	-	29,494	-
Other	(185)	(211)	(725)	(573)
	<u>\$ 56,830</u>	<u>1,623</u>	<u>193,019</u>	<u>(9,848)</u>

3. Finance costs

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

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Interest expense	\$ <u>68</u>	<u>10</u>	<u>172</u>	<u>60</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 September 30, 2022 and December 31 and September 30 of 2021, the merged company received 52%, 49% and 47% 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

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

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

2. Liquidity risk

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

	Book amount	Contracted cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
September 30, 2022							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 395,469	395,469	395,469	-	-	-	-
Other payable	297,913	297,913	297,913	-	-	-	-
Lease liabilities	5,395	5,989	1,379	1,352	2,621	637	-
Deposits received	5,723	5,723	5,712	11	-	-	-
Derivative financial liabilities	11,082						
Outflow	-	310,998	310,998	-	-	-	-
Inflow	-	(299,916)	(299,916)	-	-	-	-
	\$ 715,582	716,176	711,555	1,363	2,621	637	-

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)	-	-	-	-
	\$ 740,620	741,311	731,151	928	7,500	1,727	5

September 30, 2021							
Non-derivative financial liabilities							
Accounts payable (including related parties)	\$ 362,783	362,783	362,783	-	-	-	-
Other payable	210,535	210,535	210,535	-	-	-	-
Lease liabilities	477	481	481	-	-	-	-
Derivative financial liabilities	280	-	-	-	-	-	-
Outflow	-	1,291,961	1,291,961	-	-	-	-
Inflow	-	(1,291,681)	(1,291,681)	-	-	-	-
	\$ 574,075	574,079	574,079	-	-	-	-

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

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.

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 September 30, 2022 and December 31 and September 30 of 2021 were NT\$ 974,625 thousands, NT\$ 928,820 thousands and NT\$ 930,775 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:

	September 30, 2022				December 31, 2021			September 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	\$	36,780	31.750	1,167,768	45,494	27.680	1,259,272	38,619	27.850	1,075,539
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD		12,763	31.750	405,238	19,555	27.680	541,286	13,236	27.850	368,634

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 September 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 September 30 of 2022 and 2021 will increase or decrease by NT\$ 7,625 thousands and NT\$ 7,069 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 September 30,				For the Nine months Ended September 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	\$ 37,313	1	(4,428)	1	173,385	1	(8,885)	1
RMB	1,290	4.431	16	4.306	1,947	4.428	(110)	4.337
	<u>\$ 38,603</u>		<u>(4,412)</u>		<u>175,332</u>		<u>(8,995)</u>	

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

4. Interest rate risk

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

5. Fair value information

(1) Types and fair value of financial instruments

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

		September 30, 2022			
		Fair value			
	Book amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost :					
Cash and equivalent cash	\$ 1,209,989				
Accounts receivable (including related parties)	808,796				
Other receivable	26,346				
Refundable deposits	7,569				
Total	<u>\$ 2,052,700</u>				
Financial liabilities at fair value through profit or loss - Current					
	<u>\$ 11,082</u>	-	-	11,082	11,082
Financial liabilities at amortized cost :					
Accounts payable (including related parties)	\$ 395,469				
Other payable	297,913				
Lease liabilities	5,395				
Deposits received	5,723				
Total	<u>\$ 704,500</u>				
		December 31, 2021			
		Fair value			
	Book amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost :					
Cash and equivalent cash	\$ 1,189,955				
Accounts receivable (including related parties)	985,059				
Other receivable	16,295				
Refundable deposits	10,083				
Total	<u>\$ 2,201,392</u>				
Financial liabilities at fair value through profit or loss - Current					
	<u>\$ 1,909</u>	-	-	1,909	1,909
Financial liabilities at amortized cost :					
Accounts payable (including related parties)	\$ 525,424				

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

Other payable	202,873				
Lease liabilities	4,710				
Deposits received	<u>5,704</u>				
Total	<u><u>\$ 738,711</u></u>				
September 30, 2021					
		Fair value			
	Book amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost :					
Cash and equivalent cash	\$ 969,244				
Accounts receivable (including related parties)	962,987				
Other receivable	23,665				
Restricted bank deposits	3,744				
Refundable deposits	<u>10,077</u>				
Total	<u><u>\$ 1,969,717</u></u>				
Financial liabilities at fair value through profit or loss - Current					
	<u><u>\$ 280</u></u>	-	-	280	280
Financial liabilities at amortized cost :					
Accounts payable (including related parties)	\$ 362,783				
Other payable	210,535				
Lease liabilities	477				
Deposits received	<u>5</u>				
Total	<u><u>\$ 573,800</u></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 September 30 of 2022 and 2021.

(4) Schedule of Level 3 changes

	Financial assets/ liabilities at fair value through profit or loss
January 1, 2022	\$ (1,909)
Purchase/disposal/settlement	1,909
Recognized in profit or loss	<u>(11,082)</u>
September 30, 2022	<u><u>\$ (11,082)</u></u>
January 1, 2021	\$ 3,814
Purchase/disposal/settlement	(3,814)
Recognized in profit or loss	<u>(280)</u>
September 30, 2021	<u><u>\$ (280)</u></u>

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 September 30, 2022 and 2021 are as follows:

	September 30, 2022	September 30, 2021
Total profits or losses		
Recognized in profit or loss (reported in “Other profits and losses”)	\$ <u>(11,082)</u>	<u>(280)</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 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:

	Changes of non-cash						September 30, 2022
	January 1, 2022	Cash flows	Interest expense	Increase	Derecognition	Exchange rate changes	
Lease liabilities	\$ 4,710	(1,328)	172	2,084	(210)	(33)	5,395
Deposits received	5,704	6	-	-	-	13	5,723
Total liabilities from financial activities	<u>\$ 10,414</u>	<u>(1,322)</u>	<u>172</u>	<u>2,084</u>	<u>(210)</u>	<u>(20)</u>	<u>11,118</u>

	Changes of non-cash						September 30, 2021
	January 1, 2021	Cash flows	Interest expense	Increase	Derecognition	Exchange rate changes	
Lease liabilities	\$ 3,008	(1,758)	60	-	(743)	(90)	477
Total liabilities from financial activities	<u>\$ 3,008</u>	<u>(1,758)</u>	<u>60</u>	<u>-</u>	<u>(743)</u>	<u>(90)</u>	<u>477</u>

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

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
Cai Feng Investments Co., Ltd. (Cai Feng Investments)	Substantive parties
Super Group Semiconductor Co., Ltd. (Super Group Semiconductor)	Affiliated enterprise(Note)
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

Note: Super Group Semiconductor was substantive parties of the merged company. Since the merged company obtained 28.57% of its shares on September 30, 2022, it became an affiliated enterprise of the merged 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(Sales returned)				Accounts receivable from related parties		
	For the Three months Ended September 30,		For the Nine months Ended September 30,		September 30, 2022	December 31, 2021	September 30, 2021
	2022	2021	2022	2021			
Associated enterprises:							
Other associated enterprises	\$ (10,296)	31,649	52,126	175,925	-	30,926	58,859
Less: allowance for losses	-	-	-	-	-	(62)	(117)
	<u>\$ (10,296)</u>	<u>31,649</u>	<u>52,126</u>	<u>175,925</u>	<u>-</u>	<u>30,864</u>	<u>58,742</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 September 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 and unearned revenue from other associated enterprise. As of September 30, 2022 and December 31 and September 30 of 2021, the unearned revenue has been NT\$ 5,070 thousands, NT\$ 2,636 thousands and NT\$ 2,632 thousands respectively under other current liabilities.

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				Accounts payable		
	For the Three months Ended September 30,		For the Nine months Ended September 30,		September 30, 2022	December 31, 2021	September 30, 2021
	2022	2021	2022	2021			
Associated enterprises:							
Green Solution Technology	\$ 1,184	1,944	5,414	10,291	-	2,047	1,251

In order to provide customers with a complete power management plan, the merged company purchases customized products from related parties. There is no competitive purchase price of the products from the ordinary manufactures. The terms of payment for January 1 to September 30 of 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 September 30,		For the Nine months Ended September 30,		September 30, 2022	December 31, 2021	September 30, 2021
	2022	2021	2022	2021			
Associated enterprises:							
Super Group Semiconductor							
- Product development project fees	\$ 1,700	1,900	6,000	7,200	1,785	2,310	1,995
Super Group Semiconductor							
- Product royalty fees	5,409	14,846	29,553	43,905	2,852	9,757	4,564
	<u>\$ 7,109</u>	<u>16,746</u>	<u>35,553</u>	<u>51,105</u>	<u>4,637</u>	<u>12,067</u>	<u>6,559</u>

As of September 30, 2022 and December 31 and September 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:

	Transaction amount				Other receivable		
	For the Three months Ended September 30,		For the Nine months Ended September 30,		September 30, 2022	December 31, 2021	September 30, 2021
	2022	2021	2022	2021			
Associated enterprises:							
Green Solution Technology	\$ 714	715	2,143	2,143	250	250	250
Other related parties:							
Other related parties	9	4	20	13	14	11	6
	<u>\$ 723</u>	<u>719</u>	<u>2,163</u>	<u>2,156</u>	<u>264</u>	<u>261</u>	<u>256</u>

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

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

5. Property transaction

As of September 30, 2022, the merged company participated in the follow-on offering of Super Group Semiconductor, the original substantial relationship, and obtained 28.57% of its shares. Please refer to Note 6 (5) for details of the transaction.

(III) Main management personnel transactions

Remuneration for main management personnel includes:

	For the Three months Ended September 30,		For the Nine months Ended September 30,	
	2022	2021	2022	2021
Short-term employee welfare	\$ 13,588	10,605	38,479	28,036
Post-retirement welfare	111	113	334	340
Resignation welfare	-	-	-	-
Other long-term welfare	-	-	-	-
Share-based payment	-	-	-	-
	<u>\$ 13,699</u>	<u>10,718</u>	<u>38,813</u>	<u>28,376</u>

VIII. Pledged Assets

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

Assets name	Pledge object	September 30, 2022	December 31, 2021	September 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	"	46,611	47,533	47,841
Investing property - Land	"	48,068	48,068	48,068
- Houses and buildings	"	23,054	23,509	23,660
		<u>\$ 215,127</u>	<u>216,504</u>	<u>220,707</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:

	September 30, 2022	December 31, 2021	September 30, 2021
Guaranteed notes	<u>\$ -</u>	<u>10,000</u>	<u>10,000</u>

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Loan limit and financial commodities trading limit	<u>\$ 1,071,213</u>	<u>1,007,760</u>	<u>1,010,013</u>

- (III) As of September 30, 2022 and December 31 and September 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\$ 31,500 thousands, NT\$ 28,000 thousands and NT\$ 26,200 thousands respectively; In addition, the merged company agreed in the new product development contract that when the product enters the mass production stage, it shall pay the royalty fee according to the relevant wafer purchase quantity and the agreed price.
- (IV) The merged company signed a capacity guarantee purchase contract with the supplier on May 30, 2018, and due to the agreement on the minimum purchase amount, the deposit amount shall be paid. As of September 30, 2022 and December 31 and September 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 September 30, 2022, December 31 and September 30, 2021, the prepaid amount has been NT\$ 76,193 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 September 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: None.

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 Quality	For the Three months Ended September 30, 2022			For the Three months Ended September 30, 2021		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Staff welfare expenses						
Salary expense	12,184	53,294	65,478	12,354	50,950	63,304
Labor and health insurance expenses	860	1,985	2,845	859	1,937	2,796
Pension expenses	460	1,517	1,977	468	1,474	1,942
Other employee welfare expenses	577	1,386	1,963	633	1,493	2,126
Depreciation expense	1,631	4,197	5,828	1,401	3,944	5,345
Amortization expense	-	78	78	-	52	52

Function Quality	For the Nine months Ended September 30, 2022			For the Nine months Ended September 30, 2021		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Staff welfare expenses						
Salary expense	41,335	190,972	232,307	35,470	157,684	193,154
Labor and health insurance expenses	2,770	6,292	9,062	2,712	6,207	8,919
Pension expenses	1,422	4,491	5,913	1,404	4,476	5,880
Other employee welfare expenses	1,791	4,128	5,919	1,836	4,306	6,142
Depreciation expense	4,325	11,938	16,263	4,183	12,062	16,245
Amortization expense	-	204	204	-	153	153

XIII. Note to disclosure

(I) Information on major transactions

Relevant information on major transactions to be disclosed by the merged company from January 1 to September 30 of 2022 in accordance with the preparation standards is as follows:

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

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

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

10. Business relations and important transactions between parent and subsidiary companies:

No.	Name of trader	Transaction object	Relations with traders	Transaction for the Nine months Ended September 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	19,047	Before the 25th of the following month	0.93%
0	"	"	Transactions between parent company and subsidiary	Other payable	984	"	0.03%
1	Power Up Tech Co. Ltd.	Wuxi Super GEM Microelectronics Co., Ltd.	Inter-subsidary transactions	Operating costs	18,518	"	0.90%
1	"	"	Inter-subsidary transactions	Other payable	953	"	0.03%

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

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 September 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	100,000	51,000	10,000,000	100.00%	157,953	30,810	30,767	Note 1
"	Power Up Tech Co., Ltd.	Samoa	Holding company	30,744	30,744	1,930,000	100.00%	43,118	5,510	5,510	"
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%	77,001	14,528	1,594	Note 2
"	Super Group Semiconductor	Taiwan	Integrated Circuit Design Service, Manufacturing	45,000	-	1,000,000	28.57%	74,494	9,460	-	"

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

Note 2: Jinrong Investment's affiliated enterprise.

(III) Information on Mainland China Investment:

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

Unit: NT\$ thousands

Name of mainland Invested Company	Major business items	Paid-in capital	Investing mode	Accumulated investment amount remitted from Taiwan at beginning of current period	Amount of investment remitted or recovered in current period		Accumulated investment amount remitted from Taiwan at end of current period	Invested company Current profit and loss	Shareholding ratio of Company's direct or indirect investment	Investment profits and losses recognized for current period	Book value of final investment	Remitted back investment income as of end of current period
					remitted	recovered						
Wuxi Super GEM Microelectronics Co., Ltd.	Metal oxide semiconductor manufacturing, development and sales business, product quality monitoring and testing services; Selling self-produced products	33,966	Note1	61,463	-	-	61,463	2,797	100.00%	2,797	11,644	-

Note1: Indirect investment through third place Power Up Tech Co., Ltd.

Note2: 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	1,586,266

3. Major transactions with mainland invested companies:

From January 1 to September 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 has been written off when preparing the consolidated financial report.

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

(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 September 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 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.